EXPERIENCING ENTERTAINMENT

ANNUAL REPORT & FINANCIAL STATEMENTS 2014

RANK GROUP HAS BEEN ENTERTAINING BRITAIN SINCE 1937, FROM ITS ORIGINS IN MOTION PICTURES TO TODAY'S GAMING BASED ENTERTAINMENT BRANDS. THE GROUP HAS REMAINED TRUE TO ITS FOUNDING MISSION TO MAKE LIFE BETTER BY BRINGING PEOPLE TOGETHER FOR FUN AND ENTERTAINMENT.

OVER THE COURSE OF MORE THAN THREE-QUARTERS OF A CENTURY, THE GROUP HAS ENTERTAINED MANY MILLIONS OF CUSTOMERS IN BRITAIN AND AROUND THE WORLD. THE GROUP'S STORY IS ONE OF ICONIC BRANDS AND TALENTED PEOPLE WITH A MISSION TO ENTERTAIN.

The Rank Group presents

Go online to find more information **www.rank.com**

For more information within this report

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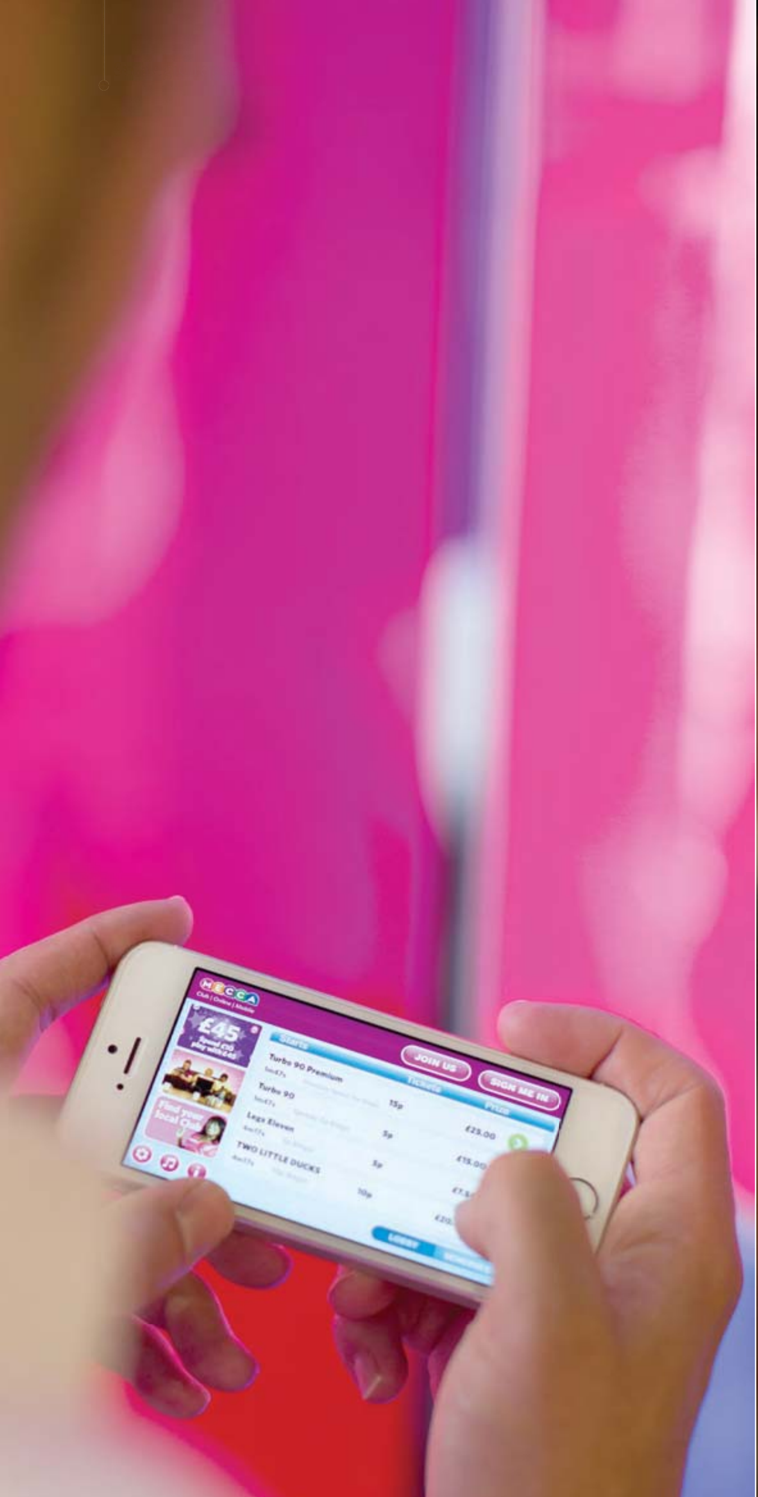
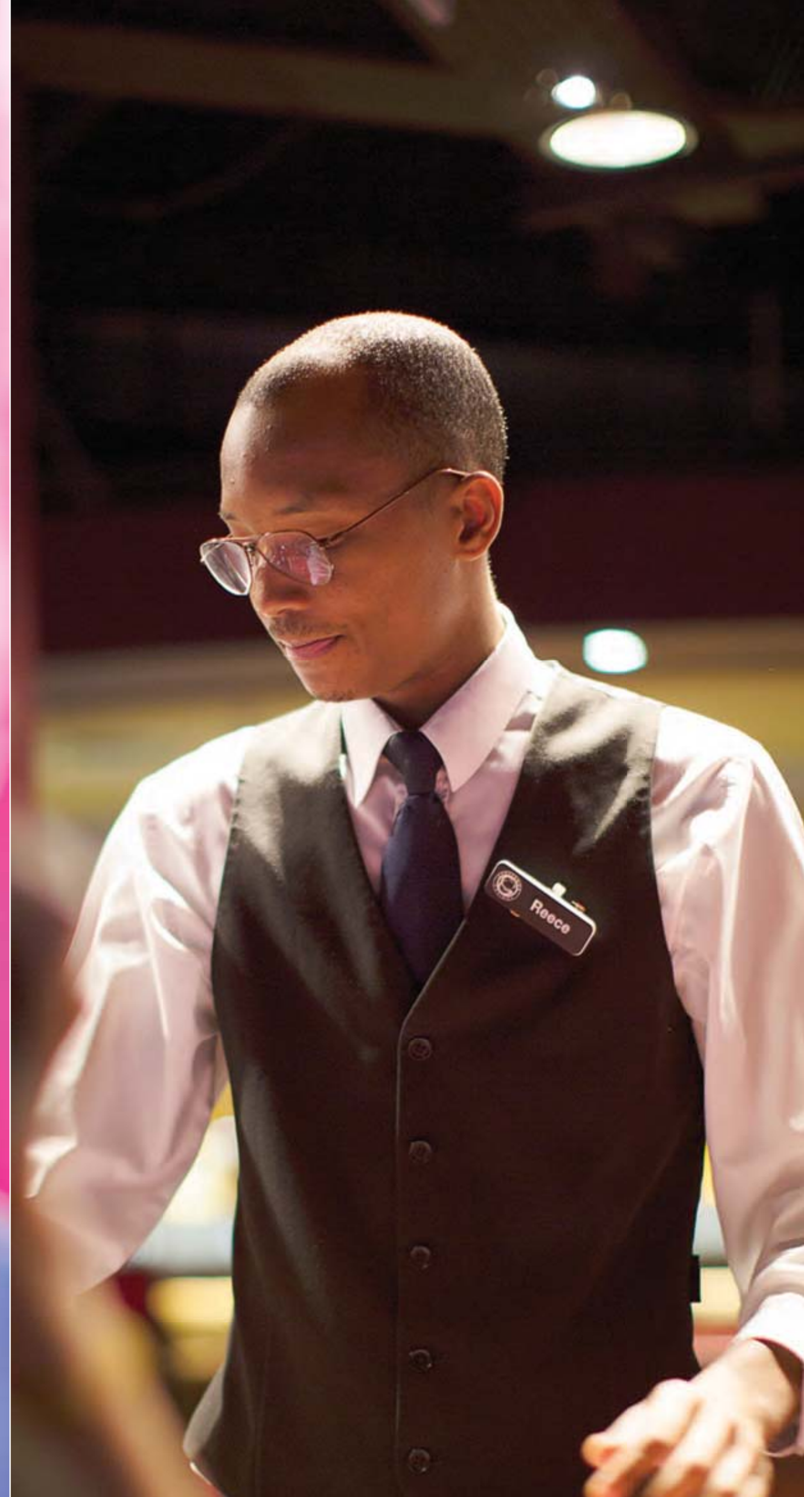
WE ASPIRE TO BE THE BEST AT WHAT WE DO BY PROVIDING OUR CUSTOMERS WITH UNRIVALLED ENTERTAINMENT EXPERIENCES

2013/14 ENTERTAINMENT SHOWCASE

This year we showcase a year in the life of The Rank Group to celebrate our achievements and recognise key events that help us sustain excellence in entertaining our customers.





JUL '13

MECCA BINGO DEVELOPMENTS

July was a month of firsts for meccabingo.com, with the launch of the meccabingo.com android app and the first multi-channel linked jackpot game.

AUG '13

GOLIATH POKER TOURNAMENT

The largest land-based poker tournament in Europe was held at the Group's Grosvenor Casino in Coventry, with 1,139 participants starting on day one.

SEP '13

TRAINING OUR TEAM

During 2013/2014, we invested £497,000 in delivering 246,000 hours of training to our team members, helping them to develop the skills required to develop their careers.

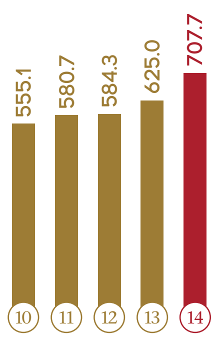
PERFORMANCE HIGHLIGHTS

DELIVERING SOLID PERFORMANCE

THE CHARTS ILLUSTRATE THE GROUP'S PERFORMANCE FOR THE 12 MONTH PERIODS TO 30 JUNE OVER THE LAST FOUR YEARS. THE RESULTS ARE UNAUDITED WITH THE EXCEPTION OF THE 12 MONTHS TO 30 JUNE 2013 AND 30 JUNE 2014.

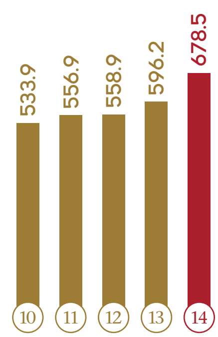
REVENUE[1]

£707.7M



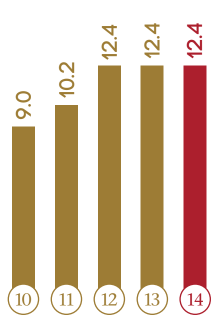
STATUTORY REVENUE

£678.5M



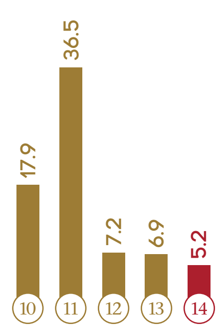
ADJUSTED EARNINGS PER SHARE[5]

12.4P



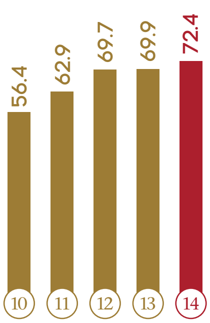
BASIC EARNINGS PER SHARE

5.2P



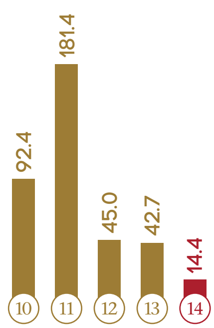
OPERATING PROFIT[2]

£72.4M



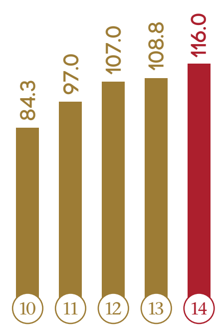
PROFIT BEFORE TAX AFTER EXCEPTIONALS

£14.4M



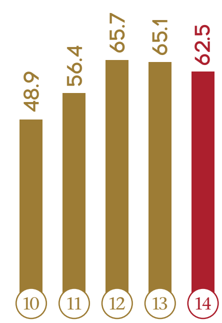
EBITDA[3]

£116.0M



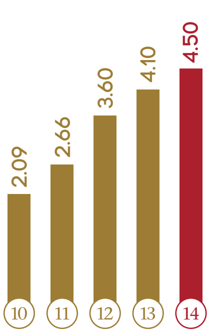
ADJUSTED PROFIT BEFORE TAX[4]

£62.5M



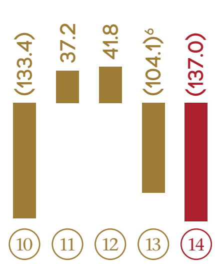
DIVIDEND PER SHARE

4.50P



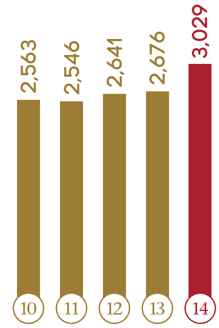
NET (DEBT)/CASH

£(137.0)M



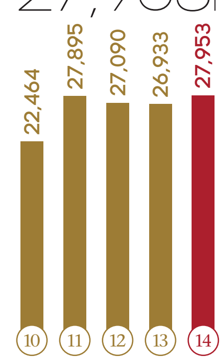
CUSTOMERS[7]

3,029K



CUSTOMER VISITS[7]

27,953K



1 Before adjustment for free bets, promotions and customer bonuses.
2 Before exceptionals.
3 Group EBITDA is Group operating profit before exceptional items, depreciation and amortisation.
4 Adjusted profit before taxation is calculated by adjusting profit from continuing operations before taxation to exclude exceptional items, the unwinding of discount in disposal provisions and other financial gains or losses.
5 Adjusted earnings per share is calculated by adjusting profit attributable to equity shareholders to exclude discontinued operations, exceptional items, other financial gains or losses, unwinding of the discount in disposal provisions and the related tax effects.
6 Restated to include the completion adjustments relating to acquisition accounting.
7 Unaudited.

GROUP AT A GLANCE

CREATING VALUE THROUGH OUR BRANDS

OUR BRANDS

GROSVENOR CASINOS

UK's largest multi-channel casino operator. Serves more than a million customers a year through a national portfolio of branded venues as well as via its online and mobile casinos. The brand offers a range of popular casino table games, including roulette, blackjack, baccarat and poker as well as electric casino and slot machine games. The brand's digital channel continues to gain scale and offers many popular games including the newly launched live casino.

Venues Largest operator (by venue) in Great Britain; 56 licensed casinos in Great Britain and two in Belgium
Digital Fledgling business, gaining scale

Key achievements

- Successful integration of the acquired casinos from Gala Coral; encouraging results from electronic product investments and major refurbishments
- Opening of London Poker Room in November 2013
- Launch of grosvenorcasinos.com's live casino, now a major revenue contributor to our digital channel
- Awarded a 2005 Act casino licence in Luton
- Cross-channel Play Points loyalty scheme launched

MECCA

UK's second largest multi-channel bingo operator and is Rank's community-gaming[1] brand for the British market. With over a million customers a year and a national portfolio of branded venues, as well as one of Great Britain's most popular community gaming websites. The digital channel offers a selection of games from bingo and poker to a wide range of slot games, and the venues also have great value food and drinks, and live entertainment.

Venues Second largest operator (by venue) in Great Britain; 96 licensed bingo venues
Digital One of the leading online bingo operators in the UK

Key achievements

- Improved venues profitability through revenues and cost reduction plans (labour and marketing)
- Commitment to develop three new bingo venues as a result of the cut in bingo duty
- Leases surrendered for three loss making venues, resulting in one closure in the year and two scheduled for 2014/15
- Commitment to new digital gaming platform to drive digital growth

ENRACHA

Rank's community-gaming[1] based business for the Spanish market. Ten venues serve approximately 260,000 customers a year through venues in Catalonia, Madrid, Andalucía and Galicia, offering a range of popular community games like bingo and poker as well as electronic casino and slot machine games, great value food and drink and live entertainment.

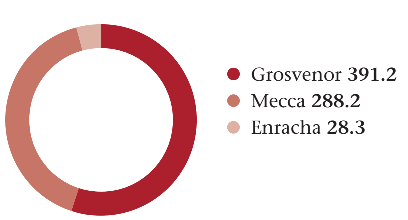
Venues Fourth largest bingo operator in Spain; 10 licensed bingo venues

Key achievements

- Two venues have been converted to the Enracha brand
- A new customer loyalty card was launched
- A new CRM system was implemented

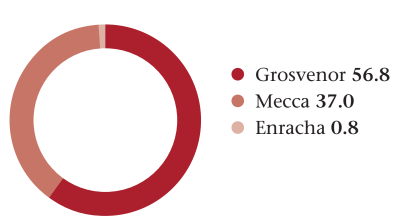
CONTRIBUTION TO GROUP REVENUE

£707.7M



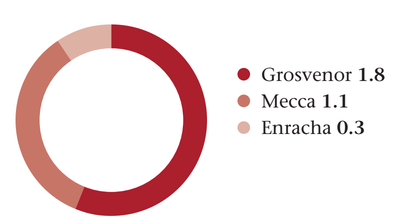
OPERATING PROFIT[2]

£72.4M



CUSTOMERS

3.0M



1 Community-gaming as outlined above refers to the different games and services available in our Mecca and Enracha venues. Unlike casinos the Mecca and Enracha customer base tend to have a shorter journey time to the venue and hence are more likely to reside in the local community. Also, the games on offer differ from those found in casinos; they are pari-mutuel and hence create a community-style game within the venue.

2 Before exceptionals.

For more information see pages:
16 Our strategy
28 Operating review

WHERE WE OPERATE

GREAT BRITAIN

Great Britain is the largest of Rank's markets, generating approximately 94% of Group revenue. The Group has a total of 152 venues in Great Britain and its online bingo and casino operations are licensed out of Alderney.

GROUP REVENUE BY TERRITORY

94%

BELGIUM

Belgium is a small but stable and strongly established gambling market. Rank operates two casino venues in Middelkerke and Blankenberge.

GROUP REVENUE BY TERRITORY

2%

SPAIN

Enracha is the fourth largest bingo operator in Spain with ten community gaming-based entertainment venues in Catalonia, Madrid, Andalucía and Galicia.

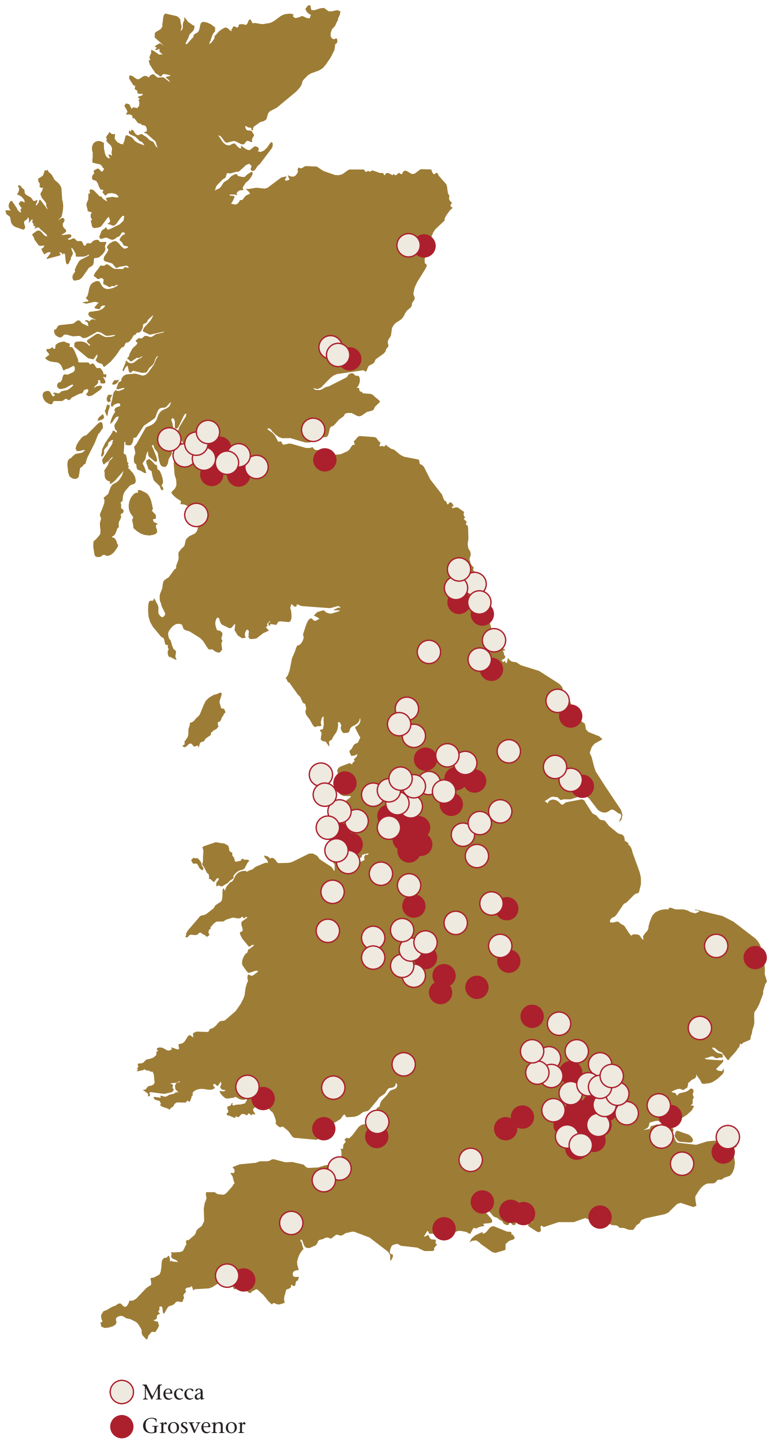
GROUP REVENUE BY TERRITORY

4%

ADULT POPULATION	
Great Britain	48.8m[1]
Spain	40.1m[2]
Belgium	8.8m[3]

SIZE OF GAMBLING MARKET	
Great Britain	£13bn[4]
Spain	€9bn[5]
Belgium	€1bn[6]

GAMBLING SPEND PER ADULT	
Great Britain	£266
Spain	€224
Belgium	€114



Sources
1 Office for National Statistics, 2011 consensus.
2 Indexmundi.com
3 Indexmundi.com
4 Gambling Commission, Gambling Data.
5 Direccion General de Ordenacion del Juego.
6 Gambling compliance & lotto.be

CHAIRMAN'S STATEMENT

CREATING SHARED EXPERIENCES

Ian Burke, Chairman

RANK IS IN A STRONG FINANCIAL POSITION, POSSESSES MARKET-LEADING BRANDS AND HAS A CLEAR STRATEGY FOR LONG-TERM GROWTH.

DEAR SHAREHOLDER

As outlined in our interim statement, the Group had a challenging H1 where a weaker performance from our London casinos and the highly competitive market adversely affected our financial performance compared to the prior period. As a direct result, we undertook three actions in H2 aimed at delivering improved performance: 1) improving the value for money for our customers, 2) tightening of our cost controls and 3) a more focused capital expenditure programme. We are pleased to report that the 21% increase in H2 operating profit versus H1 highlights the success of these actions.

Last year the following priorities were outlined for the Group. Here we provide an update on our progress made in each area.

1. Integration of acquired casinos

This year we worked hard to successfully integrate the former Gala casino venues which were acquired back in May 2013. With £17.8m of capital invested in the year, we have made significant improvements to the estate while also implementing operational improvements. The 19 venues are on track to deliver the anticipated level of returns and, along with our existing estate, before central costs, represent 60% of the Group's operating profit for the year.

2. Growth in digital

The Group continued its focus on growing the digital channels. **www.grosvenorcasinos.com** continues to grow strongly and now offers its bespoke live casino product. Our growing live casino is now a major revenue contributor to our digital casino channel.

3. Retail channel improvements

During the year particular focus was placed on improving the performance of our Mecca venues. Further detail is provided in Mecca's venues performance review.

There still continues to be some underperformance in the Group, which has resulted in the Group having to recognise £12.9m of impairment charges at 30 June 2014 in respect of certain venues in the UK and Spain.

Board changes

John Warren

On 17 October 2013, John Warren stepped down from the board after serving more than seven and a half years as non-executive director and chairman of the audit committee.

Colin Child

On 18 March 2014, Colin Child, Rank's senior independent director, resigned from the board. Colin joined the board on 1 January 2012 and was Rank's senior independent director, chairman of the nominations committee and chairman of the audit committee. Following Colin's departure, I was appointed chairman of the nominations committee and Owen O'Donnell chairman of the audit committee. I am currently leading the search for a new senior independent director. An update will be provided as and when appropriate.

Ian Burke

After eight years as chief executive of the Group I decided it was the right time to step away from the role. On 27 March 2014, the Group announced the appointment of Henry Birch as Rank's new chief executive and Henry's appointment took effect from 6 May 2014. My time as chief executive has been challenging and rewarding, and I wish Henry all the very best in his new role.

For more information see pages:
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51 Corporate governance

On 6 May 2014, I became non-executive chairman and have been working alongside Henry to ensure a smooth transition of executive responsibilities.

Dividend

The board is pleased to recommend a final dividend of 3.15 pence per share be paid on 22 October 2014 to shareholders on the register at 12 September 2014.

Regulatory reform[1]

Rank has been lobbying for regulatory modernisation within gaming for a number of years. Following the successful campaign to cut bingo duty, Rank's current objectives reflect restrictions on our ability to meet customer demand for casino gaming and are:

- An increased provision of slot machines in casinos (Great Britain's casinos currently have less than 2% of the machines in Great Britain); and
- The right for local authorities to elect whether to license casinos (the majority of local authorities in Great Britain do not currently enjoy this right).

While achievement of these objectives remains uncertain, progress was made in 2013/14 with increases in maximum stakes (from £2 to £5) and prizes (maximum of £10,000) for Category B1 slot machines in casinos and an increase in the maximum prize (from £70 to £100) for Category C slot machines in the Group's bingo venues.

Taxation

The 2014 Budget statement contained two major changes to the taxation of the Group's activities:

- A reduction in bingo duty from 20% to 10% to take effect from 30 June 2014; and
- The application of remote gaming duty ('RGD'), at 15%, to all online gaming involving consumer transactions in the UK (regardless of where the operator is based) to take effect from 1 December 2014.

As a consequence of the reduction in bingo duty Rank has committed to the construction of three new bingo venues, the re-starting of its venues refurbishment programme and providing better value for customers in terms of game prices and prize funds.

Rank has been working hard on assessing the full impact of RGD and developing ways to reduce any negative impact on shareholder value, for example through the renegotiation of key digital contracts and reviewing the effectiveness of digital marketing campaigns. The Group anticipates the majority of the duty cost will impact digital profitability.

Listing Rules

On 16 May 2014, new Listing Rules came into force for all premium listed companies. The Financial Conduct Authority ("FCA") confirmed that the minimum free float requirement remains at 25%, however they stated that they will take into account certain factors when making any decision to modify the 25% requirement. Rank has therefore made a formal submission to the FCA requesting it to modify LR 6.1.19 R so that Rank can continue to be a premium listed company with a slightly lower free float percentage than 25%.

Current trading and outlook

Since the beginning of July performance has been in line with management's expectations and ahead of last year. While such a short trading period can be distorted by external factors, we are pleased with the underlying trends.

Rank remains in a strong financial position, possesses market-leading brands and has a clear strategy for long-term growth.

Ian Burke, Chairman
13 August 2014

1 Total advisory service fees for engaging with Government, Parliament and the media in the period were £0.1m (2012/13: £0.1m).

CHIEF EXECUTIVE'S Q&A

MEET OUR NEW CHIEF EXECUTIVE

Henry Birch, Chief Executive

RANK IS A COMPANY WITH A FANTASTIC REPUTATION AND LEGACY.

Q&A

What made you want to join Rank?
Rank is a company with a fantastic reputation and legacy, but I was drawn more to the potential of where it can go in the future than to its past. Like most people in the UK I had grown up knowing the Rank brand and its stable of products and entertainment history, but more recently working in the gaming industry, I knew it as a group with great brands and an enviable position in venue-based bingo and casino gaming. Coming from William Hill, where I helped transform a company with a retail focus and culture into one which straddled the high street and the internet, I could see some parallels with Rank and that made me feel I could make a difference. Compared with other gaming companies Rank has a much more entertainment-led offer, engagement between staff and customers is closer and we have a greater awareness of who our customers are and what they enjoy. Additionally it was apparent to me that Rank is very aware of its duty to operate responsibly and therefore has engaged with Government and other interested parties on this issue. These elements are important differentiators for Rank and ones that I feel that we can harness further to grow the Group.

What have been your first impressions after three months with the Group?
It may sound like a cliché but I have been extremely impressed with the people throughout the business – they truly are our greatest assets. There is a huge amount of passion and loyalty to the brands our employees work for – Mecca, Grosvenor Casinos and Enracha – and their knowledge of our business and engagement with customers is better than I have seen in any other group. Ultimately we are in the business of providing entertainment to our customers and that begins and ends with the service and customer experience our staff provide. Through visiting our venues and meeting with team members I have come to realise what a strength our people are.

I have also been struck by the amount of potential and opportunity that Rank has. We have really powerful assets at

For more information see pages:
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"I HAVE BEEN EXTREMELY IMPRESSED WITH THE PEOPLE THROUGHOUT THE BUSINESS – THEY TRULY ARE OUR GREATEST ASSETS"

our disposal: nearly 11,000 engaged and passionate staff, more than 160 venues, over three million customers and market leading positions in casino and bingo. When you join a group as a new chief executive you want to be excited about where the Group can go – about its potential – and in this regard I am extremely positive.

As with any company, Rank needs to change and evolve. What has been encouraging in my first few months here – and perhaps unexpected – is that there is real appetite and agitation for change including from those who have been here the longest. There is no shortage of ideas or energy in the Group, it is just a question of ensuring that we have the right focus and the right tools to harness them. A willingness and desire to change from within is a great base from which to start.

Will there be a big focus on digital in the future?

My background is predominantly digital, so there has been an assumption that this will be my focus at Rank. In my view we are underpowered in digital, with just 10% of our total revenues coming from our digital business (versus 30% for the wider gambling industry), and there is an opportunity for us to grow here. But I am also clear that we remain a venues-led business and there are many parts of our customer offer that can't be 'digitised' and nor would our customers want us to try. Our opportunity is to create a strong multi-channel offer for our customers, such that we give them a fantastic product and experience however they choose to engage with us – in one of our venues, from a home computer or with a mobile device. Having a strong digital business is a key part of having a multi-channel offer. So yes, digital will be a big focus, but not at the expense of other parts of our business.

I do however believe that technology generally will play an increasingly important part across our business, not just in the digital arena. If you look at the offer in our clubs, it hasn't changed substantially in many years. Yes, some of our slots may be server-based and some of our bingo customers may be using our Mecca Max units, but fundamentally not a lot has changed in the way in which we deliver entertainment in our venues. However, this is not the case in other sectors, for instance in retail or banking, where technological innovation is increasingly changing the way people use products and services. I expect our venues will also evolve in this way. How and when technology plays a bigger part will be dependent on us and on our customers, but it will happen. It may be the implementation of a more cashless environment or the use of customer-owned mobile devices in venues to participate in gaming or to replace membership cards, but technology will start to positively impact our business. Harnessing technology can not only make us more efficient, but crucially it can be used to provide an improved customer experience and give us a competitive advantage.

What are your immediate priorities?

Setting the right strategic focus for the Group is a key priority. This involves discipline in ensuring that non-core issues get put to one side and it involves plenty of communication. I am keen that everyone in the business knows where we are heading and what we are trying to achieve. There is no point in having priorities and a strategy if people aren't aware of them. Additionally we need to have clear milestones associated with our strategic focus. Setting the strategy is the easy bit, the execution of the strategy is what counts.

I am also focused on building the right team at Rank: a team that works well together, challenges each other and complements each other. Fortunately I have inherited a strong management team at Rank, but inevitably there will be some change.

I am looking forward to spending more time in our clubs talking to our staff and customers, finding out how we can improve our business and run it better.

What is your vision for the Group?

Ultimately, my vision is that Rank will be the UK's leading multi-channel gaming company. This means creating a compelling multi-channel offer so that however our customers choose to interact with us – in venue, at home or on the move – we can provide them with the best possible product, service and entertainment experience. If we can do this, we will build a growing, robust and more valuable business.

Henry Birch, Chief Executive
13 August 2014

OCT '13

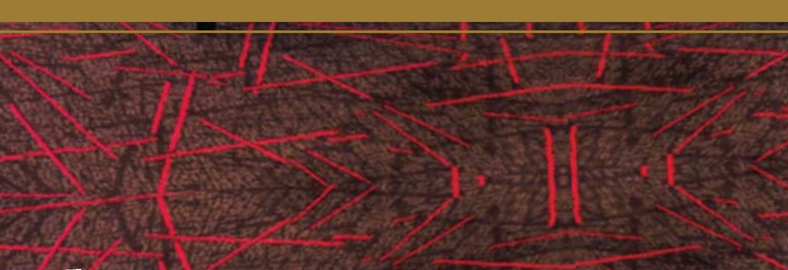
LIVE CASINO LAUNCHED

Grosvenorcasinos.com's live casino was successfully launched. During the year live casino became one of the brand's fastest growing digital revenue streams.

NOV '13

LONDON POKER ROOM OPENS

Following capital investment of £11.6m the London Poker Room was opened, which incorporates a 350 capacity poker room, bar and restaurant.



OUR BUSINESS MODEL

CREATING VALUE FOR OUR CUSTOMERS

RANK'S PRIORITY OVER THE LAST 10 YEARS HAS BEEN TO MOVE FROM A DIVERSIFIED LEISURE AND ENTERTAINMENT GROUP TO ONE THAT IS FOCUSED ON GAMING.

This has led to the Group building leading market positions in land-based casino and bingo venues, culminating in the acquisition of 19 casinos from Gala Coral in 2013. With the acquisition, Grosvenor Casinos became the largest casino operator in Great Britain by number of venues and by revenue. Mecca, with 96 bingo venues, remains the second largest land-based bingo operator behind Gala Bingo. With a finite number of casino licences in issuance and the high capital costs of building casinos or bingo clubs, we believe the Group is well placed with regards to venue-based gaming in the UK.

ORGANIC GROWTH

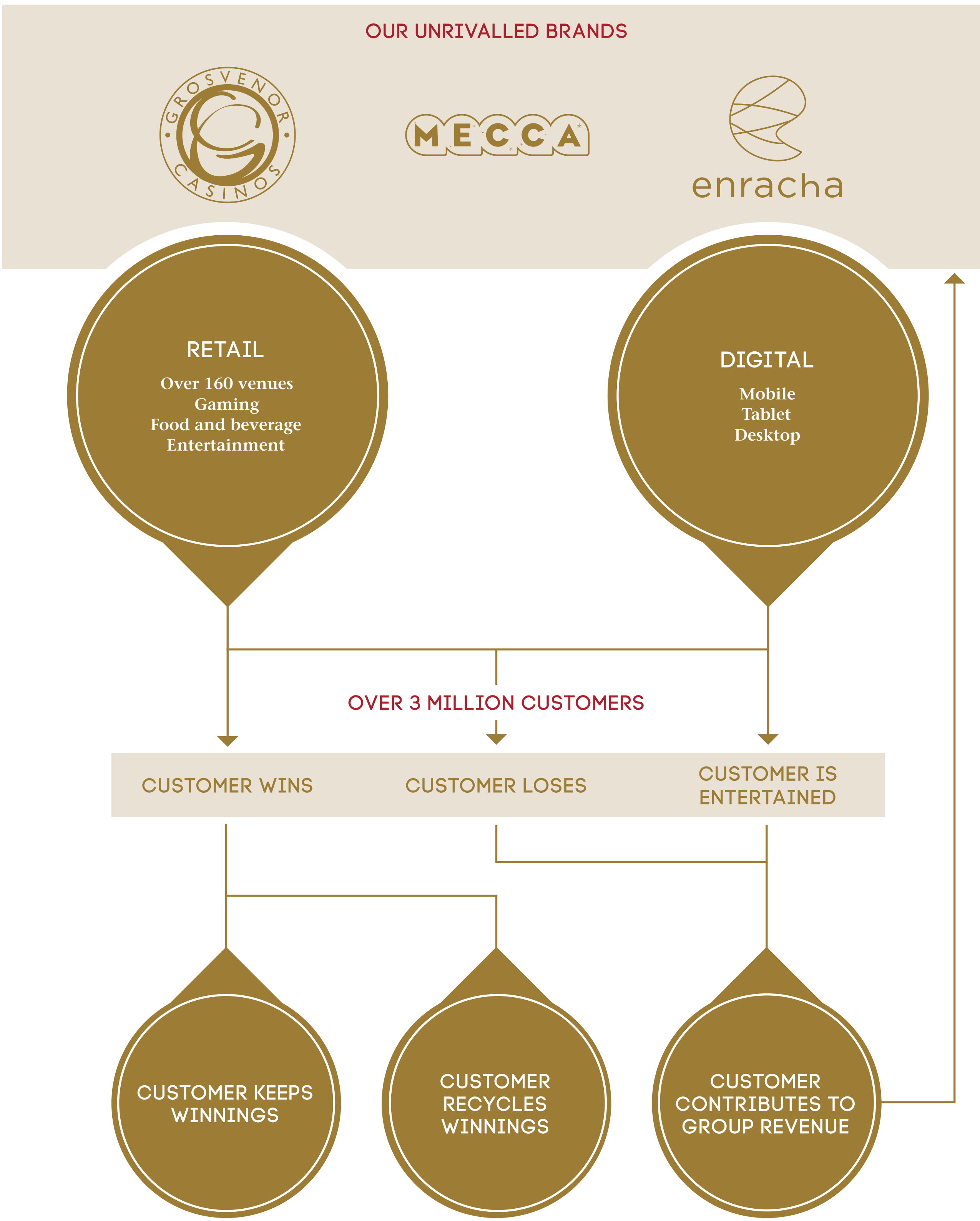
Whilst our venue-based businesses contribute the majority of the Group's revenue and profit, it is unlikely that we will undertake further significant acquisitions of UK venue-based bingo or casino companies in the foreseeable future. Instead, we see growth coming from both our digital business and from improving revenues and profitability in our existing estate of venues and through some organic new openings.

CUSTOMER ENGAGEMENT

Rank has more than three million customers who come to our venues every year. Our customers come for entertainment, typically stay for multiple hours and engage with our staff. We operate a membership policy, meaning that we know who our customers are, and our widely-used loyalty scheme in Grosvenor Casinos allows us to understand customer behaviour, trends and preferences.

These attributes and our scale arguably put us in a unique position in the wider betting and gaming industry.

HOW WE CREATE VALUE



OUR STRATEGY

STRATEGIC UPDATE

WE HAVE BEEN REPORTING OUR PERFORMANCE AGAINST THREE CRITICAL AREAS FOR A NUMBER OF YEARS, DEMONSTRATING STRONG PROGRESS.

As a result of the review carried out by our new chief executive, we have refined this strategy into five new areas of focus. These are introduced on page 18, and we will be reporting against them from next year. This year, we have continued to report our progress against our long-standing focus areas, and that progress can be seen on this page and in our KPIs on pages 20 to 21.

OUR THREE LONG-STANDING FOCUS AREAS

1

SYSTEMATIC USE OF DATA AND CUSTOMER FEEDBACK TO DRIVE SERVICE AND PRODUCT IMPROVEMENTS

2

CAPITAL INVESTMENT TO EXTEND THE REACH AND BROADEN THE APPEAL OF THE LEISURE EXPERIENCE WE DELIVER

3

MULTI-CHANNEL DISTRIBUTION OF OUR BRANDS

For more information see pages:
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1 SYSTEMATIC USE OF DATA AND CUSTOMER FEEDBACK TO DRIVE SERVICE AND PRODUCT IMPROVEMENTS

During 2013/14 we carried out the following insight activities:

- Brand awareness and consideration studies
- Net promoter scoring ('NPS')

The following are key examples of where our insight programmes have driven key business decisions.

As part of the integration of the acquired casinos we rolled out Empathica, which is our retail casino customer satisfaction survey tool.

Insight	Action	Outcome
Mecca retail: Paper playing customers disliked the disadvantage of playing amongst multi-ticket players on Mecca Max units	Introduction of paper only sessions	Increase in customer visits for paper only sessions
Mecca retail: Against peer operators Mecca scored the lowest regarding value for money	Introduction of a flexible pricing structure, 'pay as you play'	Increase in NPS scores since introduction
Grosvenor retail: Customer demand for greater value for money	Numerous actions taken including increased promotions; higher return to slots players in the acquired casinos; introduction of higher free bets	Positive impact on customer visits
Grosvenor retail: New table games showcase event feedback	16 new games were selected for further evaluation with our customers	Four new table games introduced into Grosvenor Casino's suite of table games

2 CAPITAL INVESTMENT TO EXTEND THE REACH AND BROADEN THE APPEAL OF THE LEISURE EXPERIENCE WE DELIVER

During 2013/14, Rank invested £39.4m in making improvements to its venues. The majority of this was expended in Grosvenor Casinos, with major refurbishments being carried out in our Leicester and London St Giles casinos and the opening of our new London Poker Room. £8.9m of new gaming product was invested to upgrade and replace poor performing product in the acquired casinos.

We invested a total of £4.0m in our Mecca venues. This low level of reinvestment reflected uncertainty in trading during the first half of the year and disappointing returns on major venue re-modelling projects in previous years. However, the reduction in bingo duty from 30 June 2014 will result in increased capital investment in future years.

The Group continued the roll-out of the Enracha brand across its Spanish venues, with the Don Pelayo and Continental venues converted in the year at a cost of £0.9m.

3 MULTI-CHANNEL DISTRIBUTION OF OUR BRANDS

During 2013/14, we achieved 15% growth in revenue from venues and 2% growth from digital media (desktop, tablet and mobile). Mobile continues to be our fastest growing channel with revenues up 43% to £18.9m in the period, with 53% of our digital customers in Great Britain playing with our brands on mobile devices (2012/13: 30%).

	Multi-channel customers (000s)		% of total brand customers	
Brand	2013/14	2012/13	2013/14	2012/13
Grosvenor Casinos	26	17	1.5%	1.3%
Mecca	71	66	6.5%	5.8%

Both Mecca and Grosvenor Casinos successfully grew the number of customers experiencing their brands through both the digital channel and in venue.

Specific actions:

- **Grosvenorcasinos.com** successfully launched its live casino product during Q2 2013/14. To ensure the online live casino experience mirrored that found in our venues all live casino dealers were trained by our experienced venue dealers;
- Grosvenor Casinos rolled out a cross-channel loyalty scheme ("Play Points") during the year, improving our casino customers' cross-channel experience. The acquired casinos are to be included in the scheme during 2014/15; and
- Successful marketing campaigns have led to a 46% increase in venue customers playing on grosvenorcasinos.com.

OUR STRATEGY CONTINUED

OUR FUTURE PRIORITIES

OUR AIM IS TO BE THE UK'S LEADING MULTI-CHANNEL GAMING OPERATOR. IN ORDER TO ACHIEVE THIS, WE ARE FOCUSED ON BUILDING BRANDS WITH THE ABILITY TO DELIVER THEM VIA THE CHANNELS THAT THEY PREFER – WHETHER VENUES, ONLINE OR MOBILE.

Over the course of the year we will map our existing KPIs to our new strategy, and will report against them in 2015. For this year, we have continued to report on our KPIs against our previous strategy. These KPIs can be found on pages 20 to 21.

We will focus in particular on building engagement with customers across multiple channels, where research tells us we are likely to generate more durable and valuable customer relationships.

We have identified five inter-related priorities essential to the accomplishment of our aims.

1 CREATING A COMPELLING MULTI-CHANNEL OFFER

In the markets where we operate, Rank is one of the few gaming companies in a position to offer customers a genuine multi-channel gaming offer. We have a number of key assets, including a portfolio of more than 160 venues, our membership systems and rewards programmes and the high levels of engagement that our team members enjoy with customers.

Priority for 2014/15
We will build on this position by investing in a range of improvements designed to make it simpler, more convenient and more rewarding for customers to engage with us across multiple channels. These improvements include the development of a single customer account, a single customer wallet and a single customer rewards programme. These are large and complex programmes which will take time to deliver but which we believe will give Rank an important competitive advantage.

2 BUILDING DIGITAL CAPABILITY

While Rank has built strong positions in venue-based gaming, we have not yet been able to replicate this across our digital channels (online and mobile). In 2013/14, our digital operations generated just 10% of Group revenue whereas digital channels now represent around 30% of Great Britain's gambling market (excluding National Lottery). We recognise that we need to step up our capability in this area if we are to meet the changing needs of our customers and to capture a greater share of the digital market.

Priority for 2014/15
This year, we will put in place a number of building blocks to support this aim including the appointment of Colin Cole-Johnston as group director of digital and cross-channel services.

For more information see pages:
20 Our key performance indicators
28 Operating review

3 DEVELOPING OUR VENUES

Our casinos and bingo venues remain the bedrock of Rank's business, providing entertainment for millions of customers each year and generating the majority of the Group's revenue and profits. By continuing to invest in our venues (in terms of product, environment and service) and by creating new ones, we are constantly evolving and enhancing the experiences that we offer to customers, and in doing so growing our revenue.

Priority for 2014/15
This year we plan to invest £26.0m of capital in maintaining and improving our venues, which includes £3.5m in completing a new casino in Southend. In order to maintain a modern fit-for-purpose estate, we may be required to close a limited number of venues but we will also seek to develop new venue concepts as we move forward through innovation.

4 INVESTING IN OUR BRANDS AND MARKETING

The development of a family of well-defined, relevant and resonant brands is critical for the success of our ambition. At Rank, we enjoy ownership of a number of well-known brands with strong levels of affinity amongst certain customer segments, but in the past we have not invested sufficiently in either the development of those brands or the marketing support required to release their potential.

Priority for 2014/15
This year, we will seek to step up our brand marketing programme, providing appropriate support for our established brands and investing in the development of new brands for the digital market.

5 USING TECHNOLOGY TO DRIVE EFFICIENCY AND IMPROVE CUSTOMER EXPERIENCE

At Rank, the customer is at the heart of our focus on efficiency. By speeding up processes we can remove customer frustrations and by removing costs we can offer better value. Together, these will create important competitive advantages. We have identified a number of opportunities to harness technological developments to offer our customers more engaging experiences and to achieve sustainable growth in operating margins.

Priority for 2014/15
This year we will look to deploy more cashless payment methods in our venues – such as the extension of ticket-in-ticket-out ('TiTO') slot machines to our Mecca venues; and to allow customers to use their own smartphones and tablets to play games in-venue. The increasing use of digital technologies in our venues will also support our ambition to provide customers with a seamless multi-channel offer.

During 2013/14, the Group also commenced a project to outsource operational IT services to Tata Consultancy Services ('TCS'). The transition to TCS is expected to be completed by October 2014.

OUR KEY PERFORMANCE INDICATORS

MEASURING OUR PERFORMANCE

THESE KPIS REFLECT OUR PERFORMANCE AGAINST OUR THREE LONG-STANDING FOCUS AREAS. WE WILL BE REVIEWING THESE KPIS THIS YEAR AGAINST OUR FIVE NEW STRATEGIC PRIORITIES. WE WILL REPORT AGAINST THESE IN OUR 2015 ANNUAL REPORT AND FINANCIAL STATEMENTS.

OUR THREE LONG-STANDING FOCUS AREAS

1. SYSTEMATIC USE OF DATA AND CUSTOMER FEEDBACK TO DRIVE SERVICE AND PRODUCT IMPROVEMENTS
2. CAPITAL INVESTMENT TO EXTEND THE REACH AND BROADEN THE APPEAL OF THE LEISURE EXPERIENCE WE DELIVER
3. MULTI-CHANNEL DISTRIBUTION OF OUR BRANDS

1. SYSTEMATIC USE OF DATA & CUSTOMER FEEDBACK

NET PROMOTER SCORE

43%

Measurement:
Through customer feedback

Why it is important:
Guides product and service improvements by measuring the propensity of our customers to recommend our brands to their friends

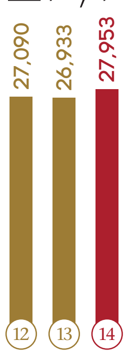
Performance:
5 percentage point decline from 2012/13 to 2013/14

For more information see pages:
28 Operating review

2. CAPITAL INVESTMENT

CUSTOMER VISITS

27,953K



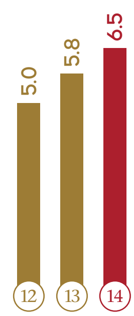
CUSTOMERS

3,029K

3. MULTI-CHANNEL DISTRIBUTION

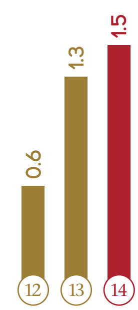
MECCA OFFLINE-ONLINE CROSSOVER

6.5%



GROSVENOR CASINOS OFFLINE-ONLINE CROSSOVER

1.5%



Measurement:
Total number of customer visits to our venues and transactional sessions online

Why it is important:
Aids business planning by measuring the popularity of our brands

Performance:
4 percent increase from 2012/13 to 2013/14

Measurement:
Total number of unique customers who have visited our venues at least once and/ or transacted online

Why it is important:
Provides a measure of our market share

Performance:
13 percent increase from 2012/13 to 2013/14

Measurement:
The number of brand customers that play in venue and through our digital channel

Why it is important:
Cross-channel customers provide more value to the brand

Mecca Performance:
0.7 percentage point increase from 2012/13 to 2013/14

Measurement:
The number of brand customers that play in venue and through our digital channel

Why it is important:
Cross-channel customers provide more value to the brand

Grosvenor Casinos Performance:
0.2 percentage point increase from 2012/13 to 2013/14

PRINCIPAL RISKS AND UNCERTAINTIES

ADDRESSING OUR RISKS

Risk	Potential impact
REGULATORY AND TAX RISK	
Regulation Adverse regulatory changes in legislation continue to represent a significant risk. Changes in political and social attitudes to gambling in our key markets and negative publicity surrounding the gambling industry could influence regulators' perception of gambling and could lead to increased gambling regulation.	Regulatory changes could increase the cost of doing business.
Taxation Adverse change in fiscal legislation continues to be a significant risk. We are subject to gambling taxation and levies in Great Britain and the other countries in which we operate. From December we will also be required to pay UK Remote Gaming Duty 2014, a point of consumption tax for remote digital gaming.	Any increases in the levels of taxation or levies to which we are subject, or the implementation of any new taxes or levies to which we will be subject, could have a material adverse effect on our business, financial condition and results of operations.
OPERATIONAL RISK	
New online gaming platform – transition and implementation The Group is in the course of planning to replace its online gaming platform, which is of significant strategic importance to the Group. This will be the single largest IT project that it has undertaken in recent years. The key risks for this project include failure to: (a) select the optimum supplier; (b) specify correctly the Group's requirements with the result that the platform is not fit for purpose; (c) define clearly the governance structure for the project; (d) deliver the project on time and on budget; (e) manage adequately the transition from the existing platform; and (f) provide for an appropriate exit strategy.	This project is a key strategic enabler, so any failures in the delivery of the project risk having an adverse effect on the ability to optimise the digital platform and its associated business, consequently impacting profitability.
Volatility of gaming win Win percentages for gambling activities can vary over a short period of time, although they will stabilise over a longer period. The business is also vulnerable to the potential impact of a small number of customers who can create volatility from the level of their gaming win.	Gaming win directly impacts profitability.

For more information see pages:
16 Our strategy
28 Operating review
51 Corporate governance

Mitigation	Further information
We participate actively in trade bodies' presentations to Government and opposition parties. As we have done in previous years, during the period under review, we have arranged key stakeholder familiarisation visits to some of our sites in order that stakeholders can have an opportunity to see our businesses in operation. This enables stakeholders to gain a better understanding of the positive effect of our business activities, including the provision of a safe environment within which adults can enjoy gambling, the creation of employment and the generation of revenues for the Exchequer.	**28** Operating review **42** Tax fact file
An update on Rank's approach to regulatory and fiscal reform can be found at **www.rank.com/downloads/gameplan-vol2-nov-2013.pdf** or by written request to the company secretary.	**42** Tax fact file
The project is in its planning stages and is engaging experienced personnel to manage the schedule, budget and deliverables. A governance structure is being developed and roles and responsibilities agreed. Professional procurement and project management approaches have also been selected and implemented to provide structure for the key activities of the project.	**28** Operating review
Gaming limits are actively used to manage the exposure of the business at all times. Programmes are in place to manage high staking VIP customers through a dedicated VIP team and reward programmes exist to manage and incentivise the loyalty of these important customers to encourage play over longer periods.	**28** Operating review

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

Risk	Potential impact
Loss of licences Rank's gaming licences are fundamental to its operation. In the British venues part of the business there is a requirement to hold an operator's licence from the Gambling Commission (the body responsible for regulating commercial gambling in Great Britain) in respect of each of the licensed activities undertaken. Additionally, it is necessary to hold premises licences from the relevant local authority in which each venue is situated, one for gambling activities and one for the sale of alcohol. Our UK customer facing transactional websites require a licence from the Alderney Gambling Control Commission, the body responsible for the regulation of eGambling in the States of Alderney where our remote gambling operations are based. Additionally, with effect from 1 October 2014, an operator's licence for our remote operations will be required from the Gambling Commission. Our operations in Spain and Belgium are also subject to licensing requirements in the jurisdictions and local areas in which they operate.	The loss of licences could have an adverse effect on our business and profitability and prevent us from providing gambling services.
External events Customers may be prevented or deterred from accessing our clubs due to factors such as extreme weather, illness or disease epidemics, terrorist threats, strikes and public transport system failures.	This could have an adverse effect on our business and profitability. As reported in our 2013/14 half year results, the hot weather in July 2013 adversely affected our results.
Business continuity and disaster recovery Due to the venues based nature of much of the business, the Group's significant reliance on technology, and the criticality of staff in serving customers and running the business, serious disruptive events such as building fire, pandemic or serious technology failure may cause an interruption to the ability to operate elements of the business if business continuity and disaster recovery plans failed to operate successfully.	If business continuity and disaster recovery plans failed to operate successfully the business would experience delays in recovering critical revenue generating activities or operational processes, such as financial reporting, causing both financial and reputational damage.
Wage rise inflation We employ a large number of employees at or just above the minimum wage. Significant increases to the national minimum wage or other significant changes to employment regulation could have an adverse impact on the Group's results.	Changes generating significant employment cost inflation could negatively impact the Group's profitability.
INFORMATION TECHNOLOGY RISK	
IT outsourcing – transition and implementation Rank is in the process of outsourcing certain of its IT services including helpdesk, desktop support, server administration and network operations. There are inherent risks in undertaking a project of this nature and importance, including supplier selection, implementation, the impact on employee morale and retention during the consultation and transition periods, and effective communication with the supplier.	Issues with the provision of core IT services may affect the smooth operation of business activities and consequently revenue.
Reliance on technology The Group is highly dependent on complex technology and advanced information systems, with many interfaces and a significant number of separate suppliers. The pace of business change and development means that IT changes such as new software coding, systems enhancements and new software application integrations are undertaken continually and consequently these systems are inherently vulnerable to experiencing malfunctions, failures, or cyber attacks such as viruses or hacker intrusion. Comprehensive technology resilience and systems protection measures are in place but it is difficult to detect all threats and vulnerabilities in order to prevent all service interruptions and problems.	If our prevention measures for technology attacks should fail our reputation may be harmed and customers deterred from using our services, which may in turn have a material adverse effect on our financial performance. Failures in service provision could also render the Group unable to serve customers during such service interruptions, again having an adverse effect on revenue and profit.

Mitigation	Further information
Rank has a dedicated compliance function that is independent of operations and a separate internal audit function that is independent of both operations and the compliance function. Rank maintains a strong and open relationship with the Gambling Commission. Since entering the online gaming market, Rank has worked hard to build a similarly strong and open relationship with the Alderney Gambling Control Commission.	**51** Corporate governance
Whilst these matters are outside our direct sphere of influence, we continue to work hard to better prepare ourselves for such eventualities, particularly in terms of co-ordinating with our digital businesses and making sure that employees can get to work.	
A Group business continuity plan is in place and regularly reviewed. Departmental plans are required for all critical departments and premises, and managed by the director of security. IT plans in particular are being continually reviewed in light of the transfer of risk being experienced as part of the IT outsourcing project.	
Rank maintains continual monitoring of the regulatory environment to ensure that changes are identified and prepared for as early as possible.	**35** Operating responsibly
The formal supplier selection process was audited by the Group's internal audit function and was found to have been properly conducted. A supplier has been selected who has extensive experience in similar transition projects. Knowledge transfer plans are in place to mitigate any issues with losing existing employees, and alternative job roles have been made available where suitable to help manage morale and retention.	**35** Operating responsibly
In September 2013, a chief information officer started with the Group and he has also implemented a security improvement programme which is underway, including measures such as enhancing the existing information security team with additional expert staff and adding a further range of detective and preventative measures to improve the security of technology based assets. The IT outsourcing currently being conducted also adds to the resources for providing business support and resilience around key systems.	**18** Our future priorities

DEC '13

REFURBISHMENT COMPLETED

Major refurbishments at Leicester and St Giles casinos were completed. These two venues were part of the acquired estate from Gala Coral where we invested £17.8m in the year.





OPERATING REVIEW

DELIVERING SOLID RESULTS

DURING THE 12 MONTHS TO 30 JUNE 2014, RANK HAS GROWN REVENUE AND OPERATING PROFIT DUE TO THE CONTRIBUTION OF THE ACQUIRED CASINOS. A CHALLENGING H1 AND HIGHLY COMPETITIVE DIGITAL TRADING ENVIRONMENT HAS LED TO A FALL IN LIKE-FOR-LIKE REVENUES IN BOTH THE GROSVENOR CASINOS AND MECCA BRANDS.

Group key performance indicators (KPIs)

We measure our performance through the Group's KPIs.

	2013/14	2012/13
Customers[1] (000s)	3,029	2,676
Customer visits (000s)	27,953	26,933
Net promoter score	43%	48%

1 Unique customers shown on a moving annual total ('MAT') basis.

Our brand teams served more than three million customers in the year with customer visits increasing by 4% due to the addition of the acquired casinos.

The Group's net promoter score, which measures the propensity of customers to recommend our brands, decreased by 5 percentage points to 43%. Customer feedback indicates their increasing focus on value for money in bingo and a greater demand for promotions and bonuses in our casinos. As a result, the Group has taken actions to address our customers increasing desire for greater value, details of which are provided in the brand operating reviews below.

Summary of financial results

The Group achieved 13% growth in continuing business revenue; with 15% growth in venues and 2% in digital (online and mobile). Like-for-like revenue for the Group fell by 4%. The fastest-growing channel of distribution continues to be mobile, where revenue increased by 43% to £18.9m.

Revenue from Grosvenor Casinos increased by 30% to £391.2m, driven by the £107.2m revenue contribution from the acquired casinos. Consequently, operating profit rose by 20% to £56.8m.

Mecca's revenue decreased by 3% to £288.2m as customer visits decreased in the year. Lower revenue and higher digital IT costs resulted in total brand profit declining 16% to £37.0m.

Enracha's euro revenue decreased by 1% as customer visits fell by 2%. Sterling operating profit rose by 14%.

Central costs were marginally lower at £22.2m.

During the year Rank invested £44.3m of capital across the Group. More than 70% of this was deployed in our Grosvenor Casinos venues.

The Group's adjusted net financing charge of £9.9m was higher than the prior period, primarily due to the financing costs associated with the acquisition of the former Gala casinos.

Adjusted earnings per share at 12.4p was in line with the prior period.

Summary financial results

	Revenue[1]		Operating profit[2]	
£m	2013/14	2012/13	2013/14	2012/13
Grosvenor Casinos	391.2	300.3	56.8	47.4
Mecca	288.2	296.2	37.0	44.1
Enracha	28.3	28.5	0.8	0.7
Central costs			(22.2)	(22.3)
Total continuing	707.7	625.0	72.4	69.9

1 Before adjustments for free bets, promotions and customer bonuses.
2 Before exceptional items.

VAT claims

On 30 October 2013, Rank received notice that the Court of Appeal had found in favour of HM Revenue and Customs ('HMRC') regarding claims for overpaid VAT on certain types of amusement machines between 2002 and 2005. Following the Court of Appeal decision Rank repaid amounts received to HMRC on 30 May 2014.

Rank applied for leave to appeal to the Supreme Court in connection with these claims and was subsequently granted permission to appeal on 16 April 2014. The appeal hearing will be held on 20 April 2015.

CASINOS

MARKET REVIEW

Great Britain

During 2012/13, casinos generated £1,080m in gaming revenue, representing around 16% of net consumer expenditure on gaming and betting[1].

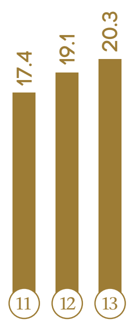
Attendance levels continued to grow in 2012/13, with the number of visits rising to 20.3 million, up 6% from the previous year with a majority of the growth coming from London[1].

The average cost of a visit to a casino has risen by 9% year on year (includes expenditure on food, drink, entertainment and gaming)[1].

Of the £1,080m of casino gaming revenue in the year to 30 September 2013, 87% was generated by table games and the remaining 13% by machines[1].

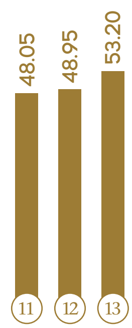
CASINO ATTENDANCE

20.3M



SPEND PER VISIT

£53.20



2005 Act casino update

The following table summarises the updates on the awarding and opening of 2005 Act casino licences during 2013/14.

Area	Type	Operator	Status
Milton Keynes	Large	Aspers	Opened September 2013
Solihull	Large	Genting	Due to open July 2015
Southampton	Large	Licence competition underway	Applications under review which includes an application from Grosvenor Casinos; decision expected spring 2015
Luton	Small	Grosvenor Casinos	Licence awarded to Grosvenor Casinos in June 2014; awarded licence to replace current 1968 Act casino licence in Grosvenor Casinos' Luton venue
Wolverhampton	Small	Casino 36	Licence awarded to Casino 36 in July 2014; awarded licence to replace current 1968 Act licence in existing Casino 36 Wolverhampton venue

Source

1 Gambling Commission, data for year ended 30 September 2013.

OPERATING REVIEW CONTINUED

CASINOS

Supply

As of July 2014 the number of casino licences operating in Great Britain was 149. All but two of these casinos were licensed under the 1968 Act and when the 1968 Act was superseded by the 2005 Gambling Act ("the 2005 Act") the rights of these casinos were 'grandfathered'.

During 2013/14, there has been one further opening of an awarded 2005 Act casino in Milton Keynes. Two 2005 Act licences have been awarded since the end of the prior period; the small Luton licence was awarded to Grosvenor Casinos and the small Wolverhampton licence was awarded to Casino 36. The local authority in Southampton is currently in the process of reviewing applications.

Grosvenor Casinos is the largest operator, by venues and revenue, of licensed casinos in Great Britain.

	July 2014		July 2013	
Operator	**Casino venues**	**Licences**	Casino venues	Licences
Grosvenor Casinos	**56**	**77**	55	76
Genting	**40**	**56**	40	56[1]
London Clubs	**8**	**11**	9	10
A&S Leisure	**6**	**6**	6	6
Double Diamond	**5**	**7**	1	1
Aspers/Aspinall's	**7**[1]	**9**[1]	4[1]	8[1]
Club 36	**3**	**3**	3	3
Clockfair	**2**	**2**	2	2
Guoco	**1**	**1**	1	1
Others	**11**	**26**	16	31[1]
Total	**139**	**198**[2]	137[1]	194

1 Includes 2005 Act casino licences.
2 Of which 149 licences were operating.
Source National Casino Industry Forum.

Belgium

At 30 June 2014, there were nine casinos in Belgium, operated by six different companies. According to the most recent data from the Belgium regulator, the Commission des Jeux, the sector generated total revenue of €141m in 2012 – down 1% on the prior year.

Licensed casinos in Belgium

Operator	**June 2014**	June 2013
Group Partouche	**2**	4
Grosvenor Casinos	**2**	2
Circus Groupe	**2**	2
Casinos Austria	**1**	1
Napoleon Games	**1**	–
DR Gaming Technology	**1**	–
Total	**9**	9

PERFORMANCE REVIEW

Grosvenor Casinos

Grosvenor Casinos has recorded both revenue and operating profit growth in the year, with H2 revenues improved marginally on H1. However, the strong comparable H1 in 2012/13 contributed to a 4% fall in like-for-like revenue.

	2013/14	2012/13	Change
Total revenue[1] (£m)	**391.2**	300.3	30%
Venues – excl. acquired casinos[3]	**270.5**	275.0	(2)%
Venues – acquired casinos	**107.2**	15.5	592%
Digital	**13.5**	9.8	38%
Total EBITDA[2] (£m)	**80.9**	66.6	21%
Venues – excl. acquired casinos[3]	**57.8**	63.7	(9)%
Venues – acquired casinos	**22.0**	3.5	529%
Digital	**1.1**	(0.6)	283%
Total operating profit[2] (£m)	**56.8**	47.4	20%
Venues – excl. acquired casinos[3]	**39.8**	46.6	(15)%
Venues – acquired casinos	**17.9**	2.9	517%
Digital	**(0.9)**	(2.1)	57%
Like-for-like revenue	**(4)%**		
Venues – excl. acquired casinos	**(4)%**		
Digital	**38%**		

1 Before adjustments for free bets, promotions and customer bonuses.
2 Before exceptional items.
3 Excludes pre-acquisition performance in 2012/13.

Total venues revenue of £377.7m was up 30% in the period due to the contribution from the newly-acquired casinos. A weaker London performance contributed to a 4% reduction in like-for-like revenue. Total operating profit was up 17% but down 14% on a like-for-like basis.

Digital revenue grew strongly in the period, up 38% to £13.5m, with the newly launched live casino being a major revenue contributor to digital revenue. Lower digital marketing costs contributed to a reduction in the operating loss to £(0.9)m from £(2.1)m in the prior period.

Key performance indicators

	2013/14	2012/13[2]
Total customers (000s)[1]	**1,784**	1,306
Venues – excl. acquired casinos	**1,279**	1,288
Venues – acquired casinos	**491**	–
Digital	**50**	35
Total customer visits (000s)	**8,579**	6,391
Venues – excl. acquired casinos	**5,962**	6,052
Venues – acquired casinos	**2,177**	–
Digital	**440**	339
Total spend per visit (£)	**45.60**	44.56
Venues – excl. acquired casinos	**45.37**	45.44
Venues – acquired casinos	**49.24**	–
Digital	**30.68**	28.91
Total net promoter score	**41%**	42%
Venues	**44%**	45%
Digital	**7%**	5%

1 Customers shown on a moving annual total ('MAT') basis and cross-over customers included only once.
2 Excludes impact of the 19 acquired casinos.

Excluding the impact of the acquired casinos, total brand customers were flat year-on-year as reductions in the venues channel were offset by gains in the digital channel. The introduction of sales managers in the acquired casinos contributed to a 4% increase in customers in the year. Digital customer numbers grew by 43%, with an increase in customer cross-over from venues.

OPERATING REVIEW CONTINUED

On 8 November 2013, the new London Poker Room opened which incorporates a 350 capacity poker room. The capital cost of the Poker Room casino licence and associated fit-out costs was £11.6m.

The integration of the acquired casinos was completed in the year with £17.8m of capital invested. The investment included the conversion of three venues to the G Casino format, which included a major refurbishment of the Leicester casino, and the rollout of new gaming product across the acquired estate. The Group also carried out a major refurbishment at the London St Giles (formerly the Tottenham Court Road) venue in addition to major IT upgrades across both the acquired and existing venues. Upcoming investments include the opening of a new casino in Southend in autumn 2014 and the refurbishment of the acquired venues in Nottingham and Bournemouth.

During the year the brand successfully extended its venues loyalty scheme, Play Points, across the digital channel and introduced an exclusive Black Card VIP reward scheme. Work is currently underway to continue the Play Points rollout across the acquired casinos and should be completed by December 2014.

As part of the brand's strategy to further develop its casino offer, a trial sports betting offer has recently been introduced alongside the refurbished Leicester casino. There are plans to extend the trial into a further three venues in 2014/15.

Venues regional analysis

The casinos estate is split into three key areas – London, Provinces and Belgium. To better illustrate the differences across the estate the following analysis has been provided.

	Customer visits (000s)[1]		Spend per visit (£)[1]	
	2013/14	2012/13	**2013/14**	2012/13
London	**1,452**	1,053	**90.56**	100.47
Provinces	**6,406**	4,698	**36.17**	32.87
Belgium	**281**	301	**51.60**	49.17
Total	**8,139**	6,052	**46.41**	45.44

	Revenue (£m)		Operating profit (£m)	
	2013/14	2012/13	**2013/14**	2012/13
London	**131.5**	111.9	**27.9**	28.2
Provinces	**231.7**	163.8	**29.4**	21.3
Belgium	**14.5**	14.8	**0.4**	–
Total	**377.7**	290.5	**57.7**	49.5

1 2012/13 data excludes the impact of the acquired 19 casinos.

London revenue increased by 18% due to the contribution of the acquired casinos; however, like-for-like revenue fell by 13% as major player staking levels reduced and a lower, more normal, win margin was recorded in the year.

Provincial revenue also benefited from the contribution from the acquired casinos, up 41%. On a like-for-like basis revenue fell 1% as the July 2013 hot weather and 2014 World Cup adversely impacted visits.

Venues revenue analysis – Great Britain only

	2013/14		2012/13	
£m	**Existing**	**Acquired**	Existing	Acquired
Casino games	**170.3**	**77.2**	182.4	11.3
Gaming machines	**52.5**	**20.4**	44.1	2.5
Card room games	**11.9**	**2.8**	12.2	0.4
Food & drink/other	**21.3**	**6.8**	21.5	1.3
Total	**256.0**	**107.2**	260.2	15.5

BINGO

MARKET REVIEW

Supply

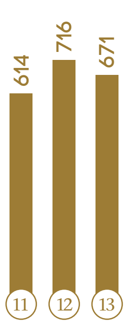
The number of bingo clubs continues to decline with an estimated 14 clubs closing in the year.

At 30 June 2014, there were an estimated 380 bingo clubs operating in Great Britain[1], down from 394 a year earlier. Mecca remains the second largest operator of licensed bingo clubs in Great Britain, after Gala Bingo.

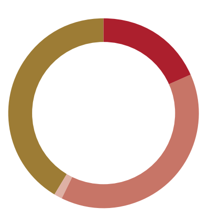
Operator	June 2014	June 2013
Gala Bingo	**135**	138
Mecca	**96**	97
Top Ten Bingo	**15**	17
Carlton Clubs	**13**	13
Others	**121**	129
Total	**380**	**394**

LICENSED BINGO CLUBS GAMING REVENUE

£671M



GAMING REVENUE FROM LICENSED BINGO CLUBS IN GREAT BRITAIN



- Main stage bingo **£124m**
- Mechanised cash bingo **£260m**
- Prize bingo **£10m**
- Slots **£277m**

1 Bingo Association.

PERFORMANCE REVIEW

Mecca

The challenging trading conditions continue to adversely impact the brand, with total revenue down 3% in the period.

	2013/14	2012/13	Change
Total revenue[1] (£m)	**288.2**	296.2	(3)%
Venues	**229.3**	234.9	(2)%
Digital	**58.9**	61.3	(4)%
Total EBITDA[2] (£m)	**53.2**	60.2	(12)%
Venues	**34.9**	37.6	(7)%
Digital	**18.3**	22.6	(19)%
Total operating profit[2] (£m)	**37.0**	44.1	(16)%
Venues	**21.1**	23.0	(8)%
Digital	**15.9**	21.1	(25)%
Like-for-like revenue	**(5)%**		
Venues	**(5)%**		
Digital	**(4)%**		

1 Before adjustments for free bets, promotions and customer bonuses.
2 Before exceptional items.

Venues revenue of £229.3m was down 2% and 5% on a like-for-like basis. The decline in revenue was principally driven by a fall in customer visits. A major review of costs was carried out in the year resulting in a £4.1m reduction in labour costs.

One underperforming venue was closed in the year, and there are plans to close two further loss-making venues in 2014/15.

As a consequence of the cut in bingo duty to 10% the Group has committed to develop three new venues and to re-start its venues refurbishment programme. The Group continues with its review of suitable locations and developing new concepts.

The highly competitive digital market contributed to a 4% decline in digital revenue. A reallocation of shared IT and other overhead costs from the disposed Blue Square business, and increased investment in technology contributed to a fall in operating profit, down 25%.

During the year over 100 new games were released by Mecca's digital channel, along with significant upgrades to its mobile app; despite total digital revenues falling in the period, mobile revenues continue to grow, up 41%.

OPERATING REVIEW CONTINUED

Key performance indicators

	2013/14	2012/13
Total customers (000s)[1]	**1,096**	1,134
Venues	**937**	958
Digital	**229**	242
Total customer visits (000s)	**17,429**	18,562
Venues	**12,607**	13,559
Digital	**4,822**	5,003
Total spend per visit (£)	**16.54**	15.96
Venues	**18.19**	17.32
Digital	**12.21**	12.25
Total net promoter score	**43%**	49%
Venues	**47%**	53%
Digital	**21%**	29%

1 Customers shown on a moving annual total ('MAT') basis and cross-over customers included only once.

The decline in Q1 customer visits prompted a detailed review of all venues, session by session, which concluded that certain offers were uncompetitive. As a result, numerous initiatives were launched focussed on improving value for money; these included the introduction of lower priced sessions, a 'refer a friend' reward programme and various food and beverage promotions. These actions have contributed to an improvement in the second half, with full year customer visits down 7% compared to a 10% fall at H1.

Digital spend per visit declined marginally in the year as more customers migrated to the mobile platform, where dwell time and spend per visit are currently lower.

Venues revenue analysis

£m	2013/14	2012/13	Change
Main stage bingo	**35.1**	39.1	(10)%
Interval games	**94.7**	100.0	(5)%
Amusement machines	**73.8**	68.9	7%
Food & drink/other	**25.7**	26.9	(4)%
Total	**229.3**	234.9	(2)%

The introduction of Machine Games Duty ('MGD') in the prior period has positively impacted amusement machine revenue; on a like-for-like basis there was a 3% fall.

Enracha

Our Spanish brand, Enracha, continues to operate in very difficult economic conditions.

	2013/14	2012/13	Change
Revenue (€m)	**34.0**	34.5	(1)%
Revenue (£m)	**28.3**	28.5	(1)%
EBITDA[1] (£m)	**2.9**	3.1	(6)%
Operating profit[1] (£m)	**0.8**	0.7	14%

1 Before exceptional items.

Euro revenue was marginally down during the year with euro spend per visit flat. In Sterling, revenue was down 1%.

Key performance indicators

	2013/14	2012/13
Customers (000s)[1]	**260**	276
Customer visits (000s)	**1,945**	1,980
Spend per visit (€)	**17.48**	17.42
Spend per visit (£)	**14.55**	14.39
Net promoter score	**86%**	84%

1 Customers shown on a moving annual total ('MAT') basis.

Venues revenue analysis

€m	2013/14	2012/13	Change
Bingo	**20.3**	20.2	0%
Amusement machines	**10.8**	11.3	(4)%
Food & drink/other	**2.9**	3.0	(3)%
Total	**34.0**	34.5	(1)%

During the year a loss-making venue in Madrid was closed and there are plans to exit a further loss-making venue in Santiago during the first half of 2014/15.

For more information see pages:
139 Keep it fun

OPERATING RESPONSIBLY

MAKING PEOPLE HAPPY

OUR ROLE IN SOCIETY

At Rank, our aim is to make an overwhelmingly positive contribution to the quality of life in the communities we serve, by bringing people together, creating fun experiences and making people happy. We understand that our success as a business is dependent upon society's view of our effectiveness in doing this – and that the value that we generate from our operations is a measure of the value that we add to people's lives.

In this section, we look in greater detail at our business from the perspective of our customers, our team members and the communities that we serve.

Customers – Keeping it Fun

Rank's purpose is to bring enjoyment to the lives of our customers through thrills, socialisation and entertainment.

How it affects our performance and position

The success of our brands is predicated on our ability to "keep it fun". However, with gambling – as with most forms of leisure – excessive or uncontrolled consumption will lead to harm. The fact that the vast majority of our customers gain enjoyment from gambling must not be used to mask or marginalise the incidence of harm.

Problem gambling is a complex issue, involving a web of psychological, sociological and economic factors. Sadly, it is an issue where objective discussion is skewed by narrow self-interest or deep-lying views on the basic morality of gambling.

Our policies and actions

At Rank, our approach is to seek a more sophisticated understanding of the problem and to use that understanding to tackle gambling-related harm.

- Understand through research and engagement
- Influence customer behaviour through communication
- Provide safeguards and intervene where problems arise
- Support treatment and counselling

Team members – creating thrilling careers

Rank is made up of nearly 11,000 talented individuals, who have a desire to entertain.

How it affects our performance and position

These are the people who bring our brands to life by creating memorable experiences for our customers – they are the most important reasons why people choose our brands and stay with us.

We recognise that it is critical to support our team members through the provision of the training necessary to accomplish their jobs, development opportunities in line with their career aspirations and clarity in terms of leadership.

Our policies and actions

Training

During 2013/14, we invested £497,000 in delivering 246,000 hours of training to our team members, helping them to develop the skills required to do their jobs.

Career development

Our career development programme is designed to enable our employees to progress within Rank, offering mobility between brand and Group teams, and the opportunity to work within different areas of operation and to participate in cross-Group projects.

During 2013/14, nearly all team members participated in career development training. In addition, 6% of our team members achieved a promotion in the period.

Leadership and engagement

Rank's senior management team has an obligation to the Group's team members to set clear direction and expectations and to provide regular and motivational feedback. Our team member engagement scores tell us how effective we are in meeting this need. In 2013/14, team member engagement increased slightly from 78% to 79%.

Health & safety

The Group ensures the health, safety and welfare of all our employees by providing safe working conditions to prevent injury or ill health. Rank regards legislative compliance as a minimum, and whenever possible will seek to implement higher health and safety standards throughout the business with a focus on continual improvements of these standards.

The directors and senior management of the Group recognise the importance of providing all employees and visitors to our premises with a safe and healthy environment in which to work or enjoy our venues.

During the year, a two-day audit of the Group's support office was carried out by the British Safety Council, and the Group retained its prestigious five star accreditation status for Occupational Health & Safety.

OPERATING RESPONSIBLY CONTINUED

Diversity

Rank is committed to providing equal opportunities for all of our employees. Our diversity policy ensures that every employee is treated equally and fairly and that all employees are aware of their responsibilities.

The policy confirms that there will be no direct or indirect discrimination in respect of age, disability, religious belief, gender, sexual orientation, race, colour, marital status, political belief and nationality, or any other category defined by law in all aspects of employment including recruitment, promotion, and opportunities for training, pay and benefits.

Please refer to page 62 which outlines the board's diversity policy.

The table below provides a breakdown of the gender of directors and employees at the end of the financial year.

	Male	Female	Total	% Male	% Female
Plc board[1]	6	1	7	86	14
Senior management[2]	32	12	44	73	27
Whole company	5,599	5,157	10,756	52	48

1 The board consists of company directors, as detailed on pages 48 to 49.
2 Senior management is as defined in The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013, and includes: i) persons responsible for planning, directing or controlling the activities of the company, or a strategically significant part of the company, other than company directors and ii) any other directors of undertakings included in the consolidated accounts.

Disability

Rank is committed to ensuring that people with disabilities are supported and encouraged to apply for employment with the Group and to achieve progress whilst employed. Disabled persons will be treated so that they have an equal opportunity, so far as is justifiable, to be selected, trained and promoted.

In order that people with disabilities may have an equal opportunity of being recruited, the Group strictly applies its Equal Opportunities and Recruitment Policies. In particular, Rank takes reasonable steps to ensure that interview arrangements are such that disabled persons may attend without embarrassment or difficulty. It also ensures that any enquiries made about an applicant's health prior to offering a job are limited to establishing whether the applicant will be able to comply with a requirement to undergo an interview or other assessment; whether a duty to make reasonable adjustments is, or will be, imposed on the Group in relation to the applicant in connection with a requirement to undergo an interview or other assessment; whether the applicant will be able to carry out a function that is intrinsic to the work concerned; or for the purpose of monitoring diversity in the range of persons applying to the Group to work. The Group is also committed to making such reasonable adjustments to premises, work practices and equipment as are necessary to enable a disabled person to take up employment with Rank.

Career development opportunities are communicated as appropriate to all employees and those with disabilities are encouraged to apply as detailed in the Group's Equal Opportunities Policy. Both internal and external training opportunities are provided where they are appropriate to employees' current occupations or potential opportunities and to the needs of the business. Where appropriate, outside training providers are required to demonstrate that they are able to accommodate persons with a disability before the Group will approve their usage. The provision of internal courses is relocated as necessary in order to ensure that persons with disabilities may attend, and the human resources department is responsible for making suitable arrangements with regard to the venue of the event or to the format in which any supporting course materials are provided.

During performance appraisal meetings in particular, managers are required to pay special attention to the views of disabled employees on career development issues such as access to training/development events and/or opportunities, and are expected to enquire whether there is anything that the Group may reasonably do to help the person develop and use their abilities at work.

Where an employee becomes disabled, whether through accident, illness or injury, every reasonable and practicable consideration will be given to ensuring that they may remain in employment. Any situations involving an employee who becomes disabled require the involvement of human resources, who monitor the employee's disability and provide advice during their on-going employment. The Group may take a variety of steps to enable continuing employment, for example making adjustments to premises; transfer to an alternative position which is vacant or to a different location/place of work; alteration of working hours; time off during working hours for rehabilitation, assessment or treatment; training and/or re-skilling; modification or purchase of appropriate equipment; and provision of supervision and assistance. All necessary advice and counselling will be provided for the employee concerned by human resources, who will also consult external specialist organisations as appropriate. The Group welcomes suggestions from disabled employees regarding adjustments which could assist with their ability to undertake their role.

Human rights
Given the nature of our business and its geographical spread we have not included information on human rights issues as required by The Companies Act 2006 Regulations 2013.

Communities – Rank Cares

Rank and its brands have a long history of community involvement and charitable fund-raising.

How it affects our performance and position
Our venues are often cited as "community hubs" – particularly our Mecca bingo venues. We challenge all of our teams to consider what they can contribute to the communities that they serve.

Our policies and actions
In February 2014, we launched Rank Cares to support the work of the Carers Trust to help those who help others in need of care. Around one-in-ten people in Britain today provide care for another – often a sick or elderly relation. The Carers Trust provides support, advice and relief for those undertaking what is often very physically and emotionally draining work.

We have set ourselves a target of raising £0.5m for the Carers Trust and at 30 June 2014 we had already passed the £0.2m mark. The funds are distributed within the communities in which they are raised, via a series of grant panels.

In addition, Rank Cares provides a framework for team members to volunteer their time to help the Carers Trust, often utilising hidden talents to bring relief and happiness to these selfless carers.

During 2013/14, Rank also participated in activities to support the following organisations:

- Marie Curie Cancer Care
- Dame Kelly Holmes Trust

Communities – Rank and the environment

Our policies and actions
Greenhouse gas (GHG) emissions
The following GHG emission data has been calculated using the DECC/Defra emission factors provided by Defra in June 2013. Subsequent years' emissions will be based on an annually revised set of factors.

We have continued to communicate effectively our overall consumption levels for electricity, gas and waste, to the venues by means of our dedicated environmental website and automatic meter readings which produce weekly consumption reports direct to the venues. This has been successfully integrated into the 19 casinos acquired in 2013.

Based on the conversion factors, the Group's total GHG emissions for its operations as at 31 December 2013[1] were:

	Tonnes of CO_2e[2]	%	Tonnes of CO_2e/£m revenue
Scope 1 Constitutes gas use (plus gas oil use in Belgium), owned transport and fugitive F-gas emissions	19,523	28	
Scope 2 Comprises electricity generation	37,356	53	
Scope 3[3] Comprises waste, materials use, flights, electricity transmission and distribution	13,138	19	
Outside of scopes[4] Represents the biogenic proportion of petrol and diesel	43	–	
Total	**70,060**	**100**	**103.8**

1 The above data is for the year ended 31 December 2013 as the data for the year ended 30 June 2014 was unavailable at the time of approving the Annual Report and Financial Statements. For future years the Group will endeavour to provide GHG data for the financial year in review.
2 CO_2e is a universal unit of measurement used to indicate the global warming of greenhouse gas expressed in terms of global warming potential of one unit of carbon dioxide.
3 Well-to-tank emissions for fuels (electricity, gas, petrol, diesel, and aviation fuel), which would sit within scope three, are not included in this report.
4 This is categorised as outside of scopes rather than scope three in line with the Defra 2013 emission factor guidance.

We completed the TM44 Air Conditioning Inspections and have utilised these to programme in our R22 removal, which will be complete by 2019 latest. In addition, we are renewing controls on all chiller replacements and running trials on various control systems to improve our energy efficiency.

Over the last period we have carried out additional R&D on various other energy opportunities.

Our new sites at Reading and Southend (under construction) have our latest control systems and LED lighting throughout.

We are continuing to replace existing lighting with LEDs where viable and available as technology progresses with these units.

We now monitor our water consumption monthly and Automatic Meter Reading ('AMR') is about to be installed in the majority of our Scottish sites.

JAN '14

INCREASED STAKES AND PRIZES AT MECCA AND GROSVENOR CASINOS

The Government confirmed in January that the stake limits and, in some cases, the prize limits could be increased on certain gaming machines. Machines in both the Group's bingo and casino venues were able to take advantage of these increases.

FEB '14

PLAY POINTS LAUNCHED CROSS-CHANNEL

Play Points, Grosvenor Casinos' established venue customer loyalty programme, was successfully launched across the brand's digital channel.

FINANCIAL REVIEW

CONTINUING TO DELIVER RESULTS

Clive Jennings, Finance Director

Following a challenging H1 and the successful execution of certain profit improvement actions in H2, Group revenue for the 12 month period from continuing operations rose by 13% to £707.7m, while Group operating profit before exceptionals of £72.4m was 4% higher than the prior period.

The growth in Group revenues reflects the income from the 19 acquired casinos offset by a highly competitive trading environment and a lower, more normal, win margin in our London casinos.

Adjusted net interest payable for the 12 months was above the prior period due to the additional facilities used to fund the acquisition of the 19 casinos from Gala.

The Group's profit for the year was £20.2m, down 25% from the prior year.

Adjusted earnings per share was flat year-on-year at 12.4p.

Acquisition of the former Gala casinos

The acquisition accounting relating to the acquisition of the 19 casinos from Gala on 12 May 2013 has now been finalised. In the prior year, provisional fair values of the assets and liabilities acquired were disclosed due to the proximity of the acquisition to the Group's year end and the completion accounts process outlined by the sale and purchase agreement extended beyond the finalisation of the financial statements. Details of the adjustments made to the provisional accounting are outlined in note 25.

The acquisition has now been successfully integrated and the initial capital investment plan has been completed on time and within budget. Since acquisition, the casinos have performed in line with management's expectations.

Taxation

The Group's effective corporation tax rate on continuing operations was 22.2% (2012/13: 25.5%) and the Group had an effective cash tax rate of 16.7% on adjusted profit.

For further detail on our effective corporation tax rate and cash tax rate please refer to our Tax Fact File on pages 42 to 45.

The gaming machine case concerning overpaid VAT (previously refunded to Rank) was decided on 30 October 2013 by the Court of Appeal in favour of HMRC. Rank has appealed the decision to the Supreme Court and the case will be heard on 20 April 2015. In H2, Rank had to repay amounts received in advance of the case being heard.

The Group previously participated in a disclosed tax avoidance scheme which has been included in the recently published list of Disclosure of Tax Avoidance Schemes ("DOTAS"). Under new tax rules implemented this year, HMRC can request payment of the amounts under dispute in advance of any Tax Tribunal. The Group has not yet received any request for payment, with the amounts at dispute worth up to £22.0m. This potential tax outflow is included within the income tax payable balance; please refer to note 18.

Exceptional items

In order to give a full understanding of the Group's financial performance and aid comparability between periods, the Group reports certain items as exceptional to normal trading.

During the year, the Group recognised impairment charges and onerous lease provisions which principally related to underperformance of the Group's New Brighton casino and three Enracha venues.

As outlined above, the Group repaid amounts to HMRC following the decision at the Court of Appeal. As recovery is not virtually certain, this outflow has been expensed in the current period.

Full details of the Group's exceptional items are provided in note 4.

Going concern

In adopting the going concern basis for preparing the financial information the directors have considered the issues impacting the Group during the period as detailed in the business review above and have reviewed the Group's projected compliance with its banking covenants. Based on the Group's cash flow forecasts and operating budgets, and assuming that trading does not deteriorate considerably from those projected levels, the directors believe that the Group will generate sufficient cash to meet its requirements for at least the next 12 months and comply with its banking covenants. Accordingly, the adoption of the going concern basis remains appropriate.

Cash flow

	2013/14 £m	2012/13 (restated) £m
Continuing operations		
Cash inflow from operations	**107.2**	117.7
Capital expenditure	**(44.3)**	(38.2)
Fixed asset disposals	**0.3**	2.0
Operating cash inflow	**63.2**	81.5
Discontinued operations	**(0.6)**	(9.1)
Net acquisitions and disposals	**1.1**	(176.2)
Net cash payments in respect of provisions and exceptional items	**(6.7)**	(14.0)
	57.0	(117.8)
Net interest and tax payments	**(15.5)**	(12.8)
Settlement of legacy tax issues	**(56.6)**	–
Net dividends paid	**(16.4)**	(14.6)
New finance leases	**(2.3)**	(0.8)
Other (including foreign exchange translation)	**0.9**	0.1
Cash outflow	**(32.9)**	(145.9)
Opening net (debt) / cash	**(104.1)**	41.8
Closing net debt	**(137.0)**	(104.1)

Financial structure and liquidity

At the end of June 2014, net debt was £137.0m compared with net debt of £104.1m at the end of June 2013. The net debt comprised £140.0m in bank term loans in respect of the acquisition of the former Gala casinos, £20.0m drawn revolving-credit facilities, £8.4m in fixed rate Yankee bonds, £14.9m in finance leases and £0.8m in overdrafts, offset by cash at bank and in hand of £47.1m.

The Group's banking facilities comprise two £70.0m bi-lateral term loans and four £20.0m bi-lateral revolving credit facilities with its relationship banks totalling £220.0m. These facilities require the maintenance of a minimum ratio of earnings before interest, tax, depreciation and amortisation ('EBITDA') to net interest payable; a minimum ratio of EBITDA plus operating lease charges to net interest payable plus operating lease charges; and a maximum ratio of net debt to EBITDA, tested quarterly and biannually depending on the facility. The Group has complied with its banking covenants.

The Group has a strong balance sheet, with a conservative leverage of 1.2 times net debt to EBITDA.

Capital expenditure

	2013/14 £m	2012/13 £m
Cash:		
Continuing operations		
Grosvenor Casinos	**35.5**	21.0
Mecca	**5.9**	9.6
Enracha	**1.3**	1.4
Central	**1.6**	6.2
	44.3	38.2
Discontinued operations	**–**	1.1
	44.3	39.3
Finance leases:		
Grosvenor Casinos	**–**	0.5
Mecca	**2.3**	0.3
	2.3	0.8
Total capital expenditure	**46.6**	40.1

During 2013/14, Rank invested £39.4m in making improvements to its venues, with the majority being expended in the enlarged Grosvenor Casinos estate. £17.8m was invested in the acquired estate, which included £2.5m on the refurbishment of the Leicester and London St Giles casinos and £8.9m on new gaming equipment. In the existing estate, the new London Poker Room opened at a cost of £11.6m and £1.4m was spent on the new Southend casino which is due to open in autumn 2014.

We invested £4.0m in our Mecca venues. This low level of venues investment reflected uncertainty following trading during the first half of the year and disappointing returns on major venue re-modelling projects in previous years.

On developing our digital capability we invested a total of £1.9m in Mecca and £1.4m in Grosvenor Casinos.

During 2014/15, we plan to spend between £40.0m and £45.0m. Of this, £5.5m will be invested in refurbishing further our Grosvenor Casinos venues and £3.5m to complete the development of our new casino in Southend, £4.7m on improving our digital capability and £7.6m on Group-wide IT investments. We will increase our capital investment in Mecca venues, in keeping with commitments made to HM Treasury and heightened return expectations from the reduced rate of bingo duty.

Capital committed at 30 June 2014 includes £3.1m for the new G casino in Southend. Mecca had no material commitments at the year end.

TAX FACT FILE

CONTRIBUTING TO OUR COMMUNITIES

RANK IS COMMITTED TO CONTRIBUTING TO THE COMMUNITIES AND ECONOMIES WHERE IT IS ESTABLISHED; THIS INCLUDES PAYING TAX.

Taxation

In the year 2013/14 the Group's businesses have generated £189.4m (2012/13: £176.9m) for the UK Exchequer and local government in VAT, gaming taxes, income tax, National Insurance contributions and local business rates. Rank has provided employment to nearly 11,000 (2012/13: 9,500) people across the Group. The broader impact of Rank's operations, including taxes paid by supplier companies, is harder to quantify but no less significant.

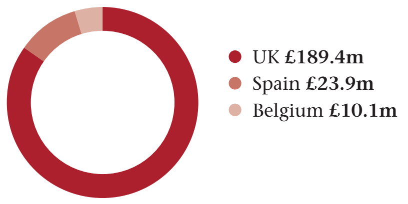
Tax strategy

Rank's tax strategy is aligned with Rank's group strategic objectives of responsible operation and constructive political engagement.

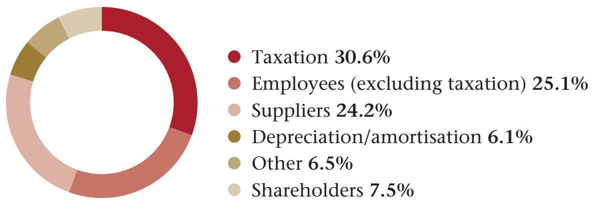
Rank operates in a highly regulated and highly taxed industry and aims to engage effectively with governments to ensure that Rank's economic and societal contributions are understood and valued. This is achieved by responding to consultations which may have a material impact upon the business, actively pursuing opportunities to meet with government officials and discuss the tax environment applicable to Rank's operating companies, expressing considered opinions to government and industry on the current tax environment and how it may be improved and actively participating in forums designed to comment on and inform government policy on taxation.

Taxation represents a significant proportion of the Group's total outgoings, as can be seen from the chart below:

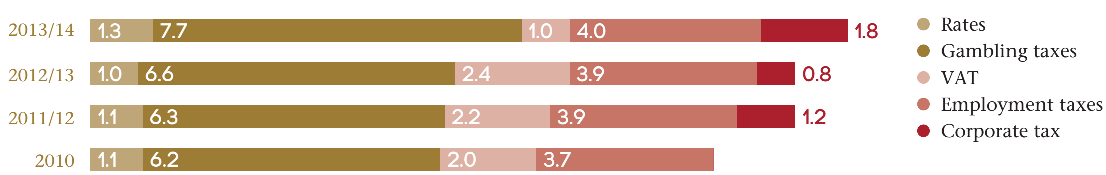
TAX CONTRIBUTION BY TERRITORY



GROUP'S TOTAL OUTGOINGS



MONTHLY UK TAX CONTRIBUTION



It remains Rank's objective to ensure that all taxes are correctly accounted for and that tax returns are completed accurately and on time and that any tax liabilities are paid. There are sufficient processes and controls in place to ensure that this objective is met. Rank has resolved a number of historic tax issues in the UK and abroad in the past year through working co-operatively with the local tax authorities. The Group aims to conclude tax audits as quickly as possible whilst also defending its position robustly with a view to protecting shareholder value and taking into account the cost of defending audits in relation to the amounts of tax at stake.

The Group's tax strategy is regularly reviewed and approved by the Board and supported by the use of appropriate advisors. Where disputes arise over the interpretation and application of tax legislation, the Group will seek to resolve any differences by discussing the merits of its position with the relevant tax authority. In the event that agreement cannot be reached, Rank will consider litigation provided that the grounds of appeal stand a good chance of success in litigation and that there is sufficient tax at stake to warrant the cost of litigation.

Effective tax rate

The Group's effective corporation tax rate in 2013/14 was 22.2% (2012/13: 25.5%) based on a tax charge of £13.9m on adjusted profit before taxation. This is lower than the Group's anticipated effective tax rate due to prior year tax credits. The effective corporation tax rate for 2015 and future periods is expected to be 22% to 24% reducing in line with the reduction to UK corporation tax rates but remaining 2% to 4% above the UK statutory tax rate as a result of overseas profits being taxed at higher rates and depreciation of assets that do not qualify for capital allowances. Further details on the taxation charge are provided in note 7.

Cash tax rate

In the year ended 30 June 2014 the Group had an effective cash tax rate of 16.7% on adjusted profit, reflecting the utilisation of capital allowances and losses in the Group (14.8% in the year ended 30 June 2013). The Group is expected to have a cash tax rate of approximately 17.5% to 20% in the year ended 30 June 2015, excluding any tax payable on the resolution of legacy issues.

Gaming tax reform

Rank considers that the current tax regime for gaming in Great Britain is unduly complex, which has resulted in volatility in the past. Rank is in favour of a simpler regime that encourages sustained growth and investment.

More details of Rank's position are detailed in our paper 'Responsible Taxation: Fairness, Responsibility and Sustainability', which is available at **www.rank.com**.

In April 2013 Rank published 'GamePlan – A candid exposition of Rank's approach to regulatory and fiscal reform' (available at **www.rank.com**). GamePlan considers the positive contribution that Rank makes to life in Britain today as well as considering how Rank can make a greater contribution in the future with a little support from our government.

TAX FACT FILE CONTINUED

'GamePlan – A candid update on Rank's approach to regulatory and fiscal reform Volume II' (available at **www.rank.com**) was published by Rank in November 2013. In GamePlan Volume II Rank called for a reduction in bingo duty, believing that this would enable bingo operators to offer customers a richer experience through a combination of increased prizes and greater innovation, resulting in economic growth and job creation.

In Budget 2014, the UK Government announced a reduction in the rate of bingo duty from 20% to 10% with effect from 30 June 2014. The announcement will provide an important boost for Britain's bingo clubs, which provide a range of social and economic benefits for the communities they serve. By reducing the rate of bingo duty, the government has created a basis for renewed investment and innovation in the bingo sector and Rank has committed to a programme of investment and job creation in its bingo venues as a direct consequence of the reduction in duty.

In Budget 2014 it was also confirmed that remote gambling will be taxed on a place of consumption basis from 1 December 2014. Tax at 15% will become due on any gambling revenue generated from consumers in the UK.

Spain

In 2011, the Spanish government invited online operators to apply for remote gaming licences and introduced tax changes which levied gaming duty on a place of consumption basis. Remote gaming duty was introduced at a rate of 20% of revenue. This differs from the taxation of land-based businesses, which, although taxed at similar rates (of between 13.5% to 25%), are taxed on stakes received rather than revenue generated.

Belgium

The Belgium government introduced a taxation and licensing framework for online gaming companies in 2011. Companies may only apply for an online gaming licence in Belgium if they already hold a land-based gaming licence and are subject to remote gaming duty at a rate of 11%.

VAT claims

Since 2006, Rank has invested significant resource in pursuing litigation to reclaim overpaid VAT. In all, Rank has received £284.2 million of VAT and interest relating to this litigation. Following five rulings in Rank's favour from the UK courts, Rank's case was referred to the Court of Justice of the European Union (ECJ). The decision of the ECJ was published on 10 November 2011. The decision led HM Revenue & Customs to concede the bingo element of Rank's claims. However, the element of Rank's claim relating to amusement machines (totalling £30.7m) has been referred back to the UK courts. Rank's case was heard at the Court of Appeal in May 2013, with the decision being found in HMRC's favour. Following the Court of Appeal decision, Rank has repaid amounts to HMRC in respect of the claim.

Rank has, however, been granted permission to lodge an appeal to the Supreme Court. The Appeal hearing will be held on 20 April 2015.

Depending on the outcome of the Supreme Court decision, it is possible that certain other points in relation to the case will need to be considered further by the First Tier Tribunal.

Rank has submitted several further claims pursuant to the principle of fiscal neutrality, pertaining (in the main) to VAT overpaid on amusement machine income. Rank estimates that these claims total more than £275m including interest but the delay in the conclusion of Rank's current case has delayed the determination of these additional claims. Rank considers that the outcome of the Supreme Court should determine some of the claims included within the £275m (in particular the amusement machine claim for the period 31 January 1976 to 30 September 1996). However, it is also possible that further litigation will be required in connection with part of these claims. These delays have not altered Rank's appraisal of its chances of success in this matter.

At present, HMRC accepts that taxpayers are entitled to receive interest on repayments caused by HMRC's error. Such interest is calculated on a simple basis. However, there is ongoing litigation that such interest should be calculated on a compound basis. Rank has protected its position with regard to such claims as other tax payers are bringing litigation on this point.

UK tax regime

	Gaming duty/Gross profits tax
Mecca	
Category B3 gaming machines	20%
Category C gaming machines	20%
Category D gaming machines	5%
Main stage bingo[1]	10%
Interval bingo[1]	10%
meccabingo.com[2]	0%
Grosvenor casinos	
Casino games and poker (tax on gaming win in a six month period)	15% – £0 to £2,242.5k
	20% – £2,242.5k to £3,788.5k
	30% – £3,788.5k to £6,496k
	40% – £6,496k to £12,210.5k
	50% – over £12,210.5k
Category B1 gaming machines	20%
grosvenorcasinos.com[2]	0%

1 In Budget 2014 it was announced that, from 30 June 2014, bingo would be taxed at 10% rather than 20%.
2 Rank's online business is based offshore (Alderney, Channel Islands) and is not subject to this taxation at present. However, HM Treasury has amended the betting and gaming tax regime which will bring this income into the UK tax net with effect from 1 December 2014.

Spanish tax regime

	Bingo duty[1]	Remote Gaming Duty	VAT	Licence (annual average)
Bingo tax set by region	13.5% to 25%	–	–	–
Category B2/3 gaming machines	–	–	–	€3,650
Multi-post electronics	–	–	–	€10,600
enracha.es	–	20%	–	–

1 Calculated as a percentage of stake.

Belgian tax regime

	Gaming duty	VAT	Licence (annual)
Table games	33% – €0 to €865k	–	–
	44% – over €865k		
Electronic roulette / amusement machines	20% – €0 to €1,200k	–	–
	25% – €1,200k to €2,450k		
	30% – €2,450k to €3,700k		
	35% – €3,700k to €6,150k		
	40% – €6,150k to €8,650k		
	45% – €8,650k to €12,350k		
	50% – over €12,350k		

Directors' approval statement

The strategic report, as set out on pages 4 to 45, has been reviewed and approved by our board of directors.

Henry Birch, Chief Executive
13 August 2014

MAR '14

BINGO DUTY CUT TO 10%

Following a successful lobbying campaign bingo duty was halved to 10% in the Chancellor's 2014 Budget. As a consequence Rank committed to the construction of three new bingo venues, the restarting of its venues refurbishment programme and providing better value for customers in terms of games and prize funds.

APR '14

DON PELAYO CLUB OPENS

The Enracha look was unveiled in Barcelona when the doors opened on the refurbished Don Pelayo bingo club. This was the third club to receive the Enracha brand makeover and the first for Barcelona.

MAY '14

HENRY BIRCH APPOINTED CHIEF EXECUTIVE

After eight years as chief executive, Ian Burke stepped away from the role and was succeeded by Henry Birch. Henry and Ian, in his capacity as Group chairman, have been working closely together to ensure a smooth transition of executive responsibilities.

BOARD OF DIRECTORS

1

IAN BURKE
Chairman

Appointment
March 2006.

Age
58 years old.

Experience
Ian has spent the majority of his career in the leisure industry, initially in bingo clubs, then hotels and health and fitness clubs. He was chief executive of The Rank Group Plc from March 2006 to May 2014, chief executive of the Holmes Place Group from July 2003 to February 2006, chief executive of Thistle Hotels plc from May 1998 to May 2003 and held various roles with Bass plc from February 1990 to April 1998, including managing director of Gala Clubs and managing director of Holiday Inns.

2

HENRY BIRCH
Chief executive

Appointment
May 2014.

Age
45 years old.

Experience
Henry has more than 20 years of experience in the betting and gaming sector and in online and broadcast media. From July 2013 to May 2014 he was a non-executive director of the AIM-listed CFD trading platform operator, PLUS 500 PLC. From October 2008 to November 2012 he was the chief executive officer of William Hill Online, the joint venture between William Hill plc and Playtech plc, which managed William Hill's online business. Prior to working at William Hill Online, Henry was the chief executive officer of Leisure & Gaming plc, an AIM-listed company that owned and operated a number of online and retail betting and gaming subsidiaries. Prior to working at Leisure & Gaming plc, Henry was the chief operating officer of Bettingcorp Ltd, an Israeli company focused on the development and operation of online and interactive TV gaming platforms. Prior to working in the

gambling industry, he held management roles at Time Warner, Turner Broadcasting and Riffage, an early digital music operator based in Silicon Valley, and started his career working in the House of Commons.

3

CLIVE JENNINGS

Finance director

Appointment
July 2011.

Age
53 years old.

Experience
Clive was previously Rank's group financial controller, prior to which he was the financial controller of Rank's gaming division. He held senior finance positions in a number of other companies prior to joining Rank in July 2000. He is a chartered accountant.

4

THE RT. HON. THE EARL OF KILMOREY, PC

Non-executive director

Appointment
May 2012.

Age
72 years old.

Experience
Lord Kilmorey has diverse experience in commerce and industry and in Government.

Current roles
Non-executive chairman of Rose Petroleum plc since July 2009 and of Tetra Strategy Limited, a political consultancy, since May 2009; director of Smarta Enterprises Limited, the UK's largest online resource for small businesses, since October 2008; and non-executive director of NEC Europe Ltd, a leading internet services and systems solutions provider, since October 1997.

Former roles
Non-executive director of Avon Rubber p.l.c. (2007 to 2013, including five years as chairman); a director of various Dyson group companies (1995 to 2012, including four years as deputy chairman); chairman of Biocompatibles International plc (2000 to 2006) and of The Heart Hospital Limited (1998 to 2001); director of GEC plc (1995 to 1997); Minister of Trade (1992 to 1995); and Northern Ireland Minister (1985 to 1992).

5

OWEN O'DONNELL

Non-executive director

Appointment
September 2008.

Age
47 years old.

Experience
Owen's background is in online businesses including online media and online gaming. He is also a chartered accountant and chairs Rank's audit committee.

Current roles
Non-executive director of Plumbee Limited, a social and mobile casino games business, since May 2012.

Former roles
Finance director at OVO Energy (2012 to 2014); non-executive chairman of fanduel.com, the online fantasy sports site (2009 to 2011); chief financial officer of Joost, King.com, Betfair and of FT.com; and director of finance and performance measurement of Pearson plc.

6

TIM SCOBLE

Non-executive director

Appointment
April 2010.

Age
57 years old.

Experience
Tim is an experienced leisure operator, with particular expertise in developing consumer brands and service delivery. He is a chartered accountant and chairs Rank's remuneration committee.

Current roles
European hotel adviser to Apollo Management International LLP and chairman of QHotels Holdings Limited.

Former roles
UK chief executive of Guoman Hotels (formerly Thistle Hotels) (2006 to 2012); chief executive of GuocoLeisure Limited, a Singapore listed company controlled by Guoco Group Limited (2009 to 2012); managing director of Moat House Hotels (2001 to 2003); and chief executive of Little Chef and a director of Travelodge (2003 to 2005).

7

SHAA WASMUND

Non-executive director

Appointment
November 2012.

Age
42 years old.

Experience
Shaa has had a distinguished digital career advising both start-ups and large corporations. She is an international speaker on the topic of digital media.

Current roles
Director of Smarta Enterprises Limited which owns Smarta.com, the UK's largest independent online resource for small businesses, and Smarta Business Builder, business software as a service for small and medium-sized enterprises, which she founded in July 2008.

8

FRANCES BINGHAM

Company secretary

Appointment
May 2008.

Age
49 years old.

Experience
For eight years Frances was company secretary and legal director of the multi-national health and fitness group, Holmes Place Group, and prior to that she was a solicitor in private practice.

MANAGEMENT TEAM

BOARD COMMITTEES

AUDIT COMMITTEE

Owen O'Donnell,
Chairman

See page 56

NOMINATIONS COMMITTEE

Ian Burke,
Chairman

See page 61

FINANCE COMMITTEE

Ian Burke,
Chairman

See page 63

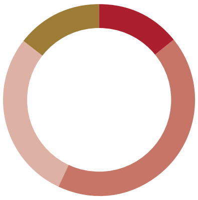
REMUNERATION COMMITTEE

Tim Scoble,
Chairman

See page 64

BOARD COMPOSITION

BOARD TENURE



MANAGEMENT TEAM

Our executive committee is not a board committee. It is responsible for day-to-day trading and is accountable to the chief executive for promoting and developing a profitable, long-term business.

Grosvenor Casinos
Managing Director – Phil Urban

Mecca
Managing Director – Mark Jones

Corporate
Chief Executive – Henry Birch

Finance
Finance Director – Clive Jennings

Legal, compliance and security
Company Secretary – Frances Bingham

Technology
Chief Information Officer – Keith Woodcock

People
Human Resources Director – Sue Waldock

GOVERNANCE STATEMENT

The board is committed to ensuring that the Group is well managed and that rigorous and transparent procedures allow this to happen.

The principal governance rules applying to UK companies listed on the London Stock Exchange are contained in the UK Corporate Governance Code, revised by the Financial Reporting Council in September 2012 (the "Code"). This report also includes the information that is required by the Financial Conduct Authority's Listing Rules ("LR") and Disclosure Rules and Transparency Rules ("DTR") to be contained in the Company's annual report.

Save in relation to Code provisions A.2.1 (roles of chairman and chief executive not to be exercised by the same individual), A.3.1 (chief executive not to become chairman), A.4.1 (requirement for a senior independent director), C.3.1 (audit committee to comprise at least three independent non-executive directors) and B.6.2 (triennial externally-facilitated board evaluation), the board confirms that it has complied with the provisions of the Code throughout the year ended 30 June 2014. Please see pages 52 to 56 for an explanation as to why the board has not complied with Code provisions A.2.1, A.3.1, A.4.1, C.3.1 and B.6.2.

This statement explains how we have applied the principles of the Code, our governance policies and practices and how we run the business for the benefit of shareholders.

In this statement the following abbreviations are used:

"FCA" – Financial Conduct Authority

"Guoco" – Guoco Group Limited

"Hong Leong" – Hong Leong Company (Malaysia) Berhad

CODE MAIN PRINCIPLES

Leadership

The role of the board

Board composition

As at the date of this report, the board consists of:

- a non-executive chairman;
- four independent non-executive directors; and
- two executive directors – the chief executive and the finance director.

The names and biographies of all directors are published on pages 48 to 49.

Key board responsibilities

The board is responsible for:

- Group strategy, objectives and policies;
- general and long-term progress of the Group within the political, economic, environmental and social setting of the day;
- financial performance, annual budgets and business plans;
- major capital expenditure, acquisitions and divestments;
- annual and half-year financial results and interim management statements;
- board committees and their terms of reference;
- internal controls and risk management;
- responsible gambling and ethical behaviour;
- sound governance, health and safety, and environmental policies;
- board and company secretary appointments;
- senior management structure, remuneration and succession; and
- investor relations.

Specific responsibilities are delegated to our four board committees – audit, remuneration, nominations and finance. They report to the board and operate within defined terms of reference, which can be obtained from our website at **www.rank.com/governance/index.jsp** or by writing to the company secretary.

The executive directors conduct the Company's business within clearly defined limits delegated by the board and subject to those matters reserved to the board.

Board meetings

Board meetings allow for regular and frank discussion on strategy, trading, financial performance and risk management.

There were nine scheduled meetings during the year and one further meeting.

During the period under review, the board's committees also met regularly to discharge their duties.

In exceptional circumstances when a director is unable to attend a meeting, their comments on briefing papers are given in advance to the relevant chairman.

CORPORATE GOVERNANCE CONTINUED

The directors' attendance at board and committee meetings during the year is recorded in the table below. It shows the number of meetings attended by each director compared with the number of meetings that director was eligible to attend.

Board meeting attendance

	Full board	Audit committee	Nominations committee	Finance committee	Remuneration committee
Current directors					
Ian Burke[1]	10/10	n/a	1/1	9/9	n/a
Henry Birch[2]	2/2	n/a	n/a	2/2	n/a
Clive Jennings	10/10	n/a	n/a	9/9	n/a
Lord Kilmorey[3]	10/10	n/a	2/3	n/a	n/a
Owen O'Donnell[3]	9/10	3/3	3/3	n/a	8/8
Tim Scoble[4]	8/10	2/2	2/3	9/9	8/8
Shaa Wasmund[3]	8/10	n/a	3/3	n/a	7/8
Former directors					
Colin Child[5]	6/7	2/2	2/2	5/5	n/a
John Warren[6]	4/4	1/1	n/a	n/a	2/2

1 Mr Burke joined and became chair of the nominations committee and joined the audit committee on 25 June 2014.
2 Mr Birch joined the board on 6 May 2014 and joined the nominations committee on 1 July 2014.
3 Lord Kilmorey, Mr O'Donnell and Ms Wasmund became members of the nominations committee on 27 February 2014.
4 Mr Scoble joined the audit committee on 17 October 2013.
5 Mr Child resigned from the board with effect from 18 March 2014.
6 Mr Warren retired from the board with effect from 17 October 2013.

Insurance and indemnity
The Company has arranged insurance cover and indemnifies directors in respect of legal action against them to the extent permitted by law. Neither applies in situations where a director has acted fraudulently or dishonestly.

Conflicts of interest
The directors have a statutory duty to avoid conflicts of interest. In accordance with our articles of association, we have adopted a policy and procedure for managing and, if appropriate, authorising actual or potential conflicts of interest.

Directors are required to disclose any other new appointments before agreeing to take them on, so that any conflicts of interest can be identified and addressed.

The board also assesses conflicts of interest before making any new appointments.

Division of responsibilities
Between 15 July 2011 and 6 May 2014 the Company's then chief executive also assumed the role of executive chairman. Given the size of Guoco's shareholding in Rank, the board was of the view that it was important for there to be a clear line of communication between the Company and its majority shareholder and that this would be for the benefit of all shareholders. The board was of the view that this would be best achieved by combining the role of chairman and chief executive. When Mr Burke indicated that he would like to retire from executive management of the business, the board wished to retain the established line of communication with Guoco and so was pleased when Mr Burke agreed to become non-executive chairman. The board is aware that this is not in compliance with Code provision A.3.1, but believes it to be in the best interests of all shareholders at this time. Since the appointment of Henry Birch as chief executive on 6 May 2014, the role of chairman and chief executive has been split. We have now approved a clear division of responsibilities for the chairman and chief executive.

Chairman
The chairman is charged to:

- manage the business of the board, preside over meetings and seek prompt and appropriate decisions;
- work with the company secretary to ensure directors receive accurate and clear information for the proper execution of their duties;
- oversee effective communication with shareholders;
- keep the Group's progress and development under review;
- ensure the chief executive's Group objectives, policies and strategies are consistent with lasting shareholder value;
- evaluate the board and its committees; and
- ensure the Group's governance is effective and in line with best practice.

Chief executive

The chief executive's role is to:

- manage and promote long-term profitable development;
- exercise stewardship of intellectual property, human and financial resources and ensure that the relevant policies are implemented;
- plan strategy and prepare objectives and policies for board approval;
- ensure action is taken to achieve strategies, objectives and policies, as approved by the board;
- ensure objectives, policies and strategies are adopted for each Group business, that appropriate budgets are set for them individually, that their performance is monitored, and that guidance is given when needed;
- take responsibility for Group health and safety policies;
- make sure the Group complies with all relevant legislation; and
- lead ongoing communication with employees.

Non-executive directors

The directors are satisfied that there are proper procedures in place to ensure that:

- they are receiving accurate and clear information for the proper execution of their duties;
- the Group's objectives, policies and strategies are consistent with enhancing shareholder value;
- they are able to keep the Group's progress and development under review;
- they have an opportunity to challenge constructively, and help develop, proposals on strategy;
- there are effective communications with all shareholders; and
- the Group's governance is effective.

Senior independent director

Since the resignation of Colin Child on 18 March 2014, the Company has been endeavouring to recruit a senior independent director. This has proved more challenging than anticipated and, as at the date of this report, no suitable candidate has been identified. The Company is therefore in breach of Code provision A.4.1. The committee continues to seek candidates for the role of senior independent director.

Effectiveness

The composition of the board

More than half of our board excluding the chairman is independent:

Name	Independent	Appointed
Chairman		
Ian Burke[1]	n/a	March 2006
Executive		
Henry Birch	X	May 2014
Clive Jennings	X	July 2011
Non-executive		
Lord Kilmorey	✓	May 2012
Owen O'Donnell	✓	September 2008
Tim Scoble[2]	✓	April 2010
Shaa Wasmund	✓	November 2012

1 Ian Burke was originally appointed to the board on 6 March 2006. He resigned from the board on 28 June 2011 and was reappointed on 3 July 2011. On 15 July 2011 he became executive chairman. On 6 May 2014 he resigned his role as chief executive and became non-executive chairman with effect from that date.

2 Until 30 April 2012, Tim Scoble was not independent – he was an appointee of Guoco, a parent company of Rank's largest shareholder. Tim Scoble has been independent since 30 April 2012 when he ceased to be an appointee of Guoco.

The principal terms and conditions of appointment for each director are set out on pages 70 and 73 to 76 and their interests in Rank shares are detailed on page 76.

Committees

The composition and chairmanship of our board committees are considered annually and have been considered twice during the period under review.

Commitment

The terms of appointment of non-executive directors are outlined on page 70 of the directors' remuneration report. All non-executive directors are required to disclose their other significant commitments both before appointment and following subsequent changes so that the board can satisfy itself that each of the directors has sufficient time to allocate to the Company to discharge their responsibilities effectively.

Neither Henry Birch nor Clive Jennings currently holds any directorships outside the Rank Group. Executive directors are not permitted to take up non-executive directorships outside the Group. Henry Birch was a non-executive director of the AIM-listed PLUS 500 Limited until 12 May 2014 and received fees in respect of such directorship. He was permitted to retain the fees relating to the six days that such directorship overlapped with his employment by the Company.

CORPORATE GOVERNANCE CONTINUED

Development

Induction

During the period under review, no new non-executive directors were appointed to the board. The chief executive was appointed to the board and he was given a comprehensive induction.

Skills and knowledge

All directors are given regular written briefings with regard to matters affecting the Group's businesses, such as the political and regulatory environment. Additionally, at the board's request, the Group's auditor keeps the board abreast of key impact items such as political and regulatory initiatives with regard to narrative reporting, executive remuneration, going concern and the role of the audit committee.

Directors are invited to identify to the company secretary or human resources director any desired skills and knowledge enhancements that they require so that appropriate training can be arranged.

Additionally, once a year, the directors have an opportunity to review and agree their respective training and development needs during their one-on-one meetings with the chairman.

Information and support

Assisted by the company secretary, the chairman is responsible for ensuring that directors receive accurate and timely information on all relevant matters.

The directors receive a monthly report of current and forecast trading results and treasury positions, as well as updates on shareholder views.

A rolling programme of items sets the agenda for board discussion. This is regularly reviewed and updated to cover topical issues and developments.

Comprehensive briefing papers on substantive agenda items are circulated at least five working days before meetings where possible. These contain detailed background information, thus freeing time for informed debate.

We operate an open-door policy between the board and the management team. Members of the management team also make regular board presentations to ensure a flow of operational information reaches the directors in a timely way.

All directors have access to the advice and services of the company secretary and, if required, may take independent advice and/or professional development at the Company's expense.

Evaluation

To monitor overall board performance, we use off-the-record questionnaires between the chairman and each director to evaluate individuals, the committees and the board as a whole.

The chairman conducted individual interviews with each board member to discuss their contributions during the year.

The non-executive directors met privately to discuss the effectiveness of the board and its committees during the year and agreed that, overall, the board had functioned effectively during the period under review and that its committees continued to discharge their duties in line with their respective terms of reference. The non-executive directors also met privately without the chairman present to discuss how the transition to the new chief executive was going and, although it was too early to make a full assessment, there was nothing that had emerged that was of concern to the board thus far.

The board is mindful of the requirement to have conducted an externally-facilitated board evaluation by 30 June 2014. Given the recent board changes, it was thought that to conduct an evaluation now would serve little useful purpose and that more benefit would be gained from conducting one slightly later. The board therefore intends conducting an evaluation during the financial year ended 30 June 2015 and in this respect the chairman has already engaged with several board evaluation consultants. The Company has therefore not complied with Code provision B.6.2.

Re-election
All new directors must stand for election at the first annual general meeting after their appointment and, thereafter, at intervals of no more than three years. Non-executive directors are engaged for an initial period of three years and must stand for election and re-appointment in the same way. Rank's articles of association require one third of serving directors to retire annually.

The Company complies with the Code's requirement for annual re-election of directors of FTSE 350 companies. Therefore all directors will also submit themselves for re-election at the forthcoming annual general meeting.

Relations with shareholders
Dialogue with shareholders
The board as a whole takes responsibility for ensuring that satisfactory dialogue with shareholders takes place. As at 30 June 2014, 69.3% of our shares were held by our majority shareholder, Guoco, and its connected parties and a further 23.5% were held by 15 institutional shareholders.

Rank's chairman takes the lead on dialogue with the Company's largest shareholder, Guoco. Additionally, given that Rank is a 68.9% subsidiary of Guoco, the chief executive and other members of Rank's executive management team meet with representatives of Guoco four times a year to discuss business performance and other issues that could impact their financial statements.

We speak with our institutional shareholders and city analysts through a programme of investor relations and regular meetings with principal shareholders conducted by our chief executive, finance director and director of investor relations.

All directors receive reports to keep them in touch with shareholder opinion. During the period under review, a total of 23 meetings with 11 shareholders were attended by one or more of the chairman, chief executive and finance director. Formal briefings on shareholder opinion are circulated to the board after presentation of the Company's interim and annual results.

The principal method of communicating with all our shareholders is via our corporate website, **www.rank.com**. Information can be provided in paper format but only when shareholders specifically request this.

Constructive use of the annual general meeting
All shareholders are welcome to attend our annual general meeting ("AGM"). Private investors are encouraged to ask questions following a summary business presentation of the Group's results and development plans.

The chairman, chief executive and chairmen of the audit, remuneration and nominations committees are all present.

Shareholders are invited to vote on the formal resolutions contained in the notice of meeting, which is published at least 20 working days beforehand. The business presentation and voting results are made available at **www.rank.com**, or in printed format on request.

Shareholders may also use electronic means to vote – or appoint a proxy to vote on their behalf – at the annual and other general meetings of the Company.

Next AGM
The 2014 AGM will be held on 16 October 2014 and the full text of the notice of meeting, together with explanatory notes, is set out in a separate document at: **www.rank.com/downloads/agm.jsp**.

If you have elected for paper information, this will be enclosed with your hard copy of this annual report. Shareholders wishing to change that election may do so at any time by contacting the Company's registrar (contact details are on page 141 and on our website at **www.rank.com/investors/shareholder_faqs.jsp**).

CORPORATE GOVERNANCE CONTINUED

AUDIT COMMITTEE

CHAIRMAN
Owen O'Donnell

OTHER MEMBERS
Tim Scoble, Ian Burke

Role of the audit committee
The audit committee assists the board in reviewing and maintaining internal controls, the management of risk and our compliance with law and regulation.

It monitors and reviews the effectiveness of the Group's internal audit function.

It also assesses the integrity of all public financial statements before their submission to the board, ensuring we present a fair assessment of the Group's ongoing position and prospects.

Any changes in accounting policies are authorised by the committee, which also reviews the objectivity and effectiveness of our external auditor every year.

The committee oversees the Company's internal code of conduct and monitors our whistleblowing procedures, through which employees may, in confidence, raise concerns about possible improprieties in areas of financial reporting, financial control and other ethical matters.

The committee is regularly updated on accounting and legislative changes through briefing papers from the auditor, finance director and others.

The committee's terms of reference are available from the Company's website at **www.rank.com/downloads/terms_of_reference/tor_audit_committee.pdf**, or by writing to the company secretary.

Audit committee membership and meetings
Until 18 March 2014 the board had an audit committee comprised of three independent non-executive directors. However, upon the resignation of the former audit committee chairman on 18 March 2014, the audit committee membership reduced to two independent non-executive directors, chaired by Owen O'Donnell. Pending recruitment of a new non-executive director to serve on the audit committee, the Company's chairman has joined the committee on a temporary basis so that there are three committee members. This is in breach of Code provision C.3.1 which requires the audit committee to consist of at least three independent non-executive directors.

A rolling agenda and topical items determine the committee's discussions. The committee met formally three times in the period under review.

Members of the audit committee as at the date of this document are Owen O'Donnell (chair), Tim Scoble and Ian Burke. The board is satisfied that the committee has recent and relevant financial experience.

At the invitation of the audit committee chairman, the chief executive, finance director, company secretary, director of group financial control and director of internal audit normally attend committee meetings, as does the external auditor. Other directors are encouraged to attend at least one committee meeting a year at which the external auditor is present.

The internal and external auditors also meet the committee without executive directors and other employees being present.

Risk management
As part of its risk oversight role, the board as a whole, including the audit committee, satisfies itself that the necessary steps are taken to foster a culture of risk-adjusted decision-making throughout the Group. The board strives to ensure that risk management is an integral component of the Group's corporate strategy, culture and value generation process. The board's view is that risk management should be neither an impediment to the conduct of business nor a mere supplement to the Group's overall compliance programme.

The risk management process is reviewed by the audit committee on behalf of the board and monitored regularly by the chief executive, supported by the company secretary.

During the year under review the audit committee has examined the Group's approach to assessment of risk by reviewing evidence of current and emerging risk and the Group's risk management processes and also by reviewing action plans to manage significant risks. At its meeting in May 2014 the board considered and discussed its appetite for risk, which remained unchanged from previous years.

The Company's risk management reporting provides knowledge of current and emerging risks, trends and opportunities that may colour strategic decisions. Rank communicates with regulators, Government, non-governmental organisations and other bodies that have opinions about Rank's business, its future and effects.

Compliance with the Bribery Act 2010 and HM Treasury Financial Sanctions forms part of the general risks and internal controls reported to the board. Our audit committee also reviews management's bi-annual reports on anti money laundering, internal and external fraud, whistleblowing, code of conduct and inadvertent breaches of legislation.

An external risk management review of the Group's digital businesses was completed in the second quarter of the 2013/14 financial year. That review focused on information security, fraud and payments, customer management and affiliates. The board considered the conclusions and recommendations of that review and delegated follow-up of management's actions in relation to information security to the audit committee. The audit committee has reviewed management's information security improvement programme and continues to monitor progress against the plan.

During the year under review the board, through the former chair of the audit committee, assessed its understanding of and approach to so-called cyber risk. As a result of that assessment the board has resolved to work with management to understand better the importance of cyber risks to the business and the actions necessary to protect against such risks.

Internal control framework

Our system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives, and provides reasonable, not absolute, assurance against material misstatement or loss. It controls, rather than eliminates, any human error, deliberate misconduct or uncertain events.

To maintain control and direction over strategic, financial, operational and compliance issues, the board has put in place formally defined lines of responsibility and delegation of authority.

Established procedures are geared to identify, evaluate and manage significant risks and to monitor the Group's businesses and performance.

This framework is reviewed annually and is designed to safeguard shareholders' investments and the Group's assets, while ensuring that proper accounting records are maintained. Senior management is responsible for making sure that controls and procedures are enforced and that the board is informed of any risks and control issues that arise.

Financial control: there is a comprehensive system for reporting financial results to the board, a budgeting process incorporating an approved budget and bi-annual re-forecasts. The chief executive and finance director hold monthly review meetings with brand managing directors and their respective directors of finance.

Financial reporting control: detailed policies and procedures are in place to ensure the accuracy and reliability of financial reporting.

Strategic control: the board reviews the Group's strategic plans annually and regularly reviews strategic progress.

Operational control: our procedures are laid down in detailed manuals and reinforced by employee training. Each business unit carries out a monthly self-audit to test key controls and report weaknesses to operational management.

Compliance control: Across the Group we have teams whose responsibility it is to ensure day-to-day adherence to all legislation to which our operations are subject, including gambling, anti money laundering and health and safety. Senior executives and the internal audit team are responsible for monitoring overall compliance. They report to the audit committee and the board.

The executive directors and senior management meet regularly with representatives from the businesses to address financial, human resource, risk management and other control issues.

At its meetings in the year to 30 June 2014 the audit committee examined the effectiveness of the Group's approach to internal control by reviewing changes to controls made during the year, including the implementation of a new general ledger system for our digital channel; approving a revised 2013/14 internal operational audit plan, a revised corporate and systems audit cycle; reviewing the structure of the internal audit department and the level of internal audit resource. The committee also reviewed action plans to address failings or weaknesses identified in the Group's system of internal control.

CORPORATE GOVERNANCE CONTINUED

This process has been in place during the period and up to the date of approval of this annual report and financial statements. It has been reviewed by the board and meets the Financial Reporting Council's internal control guidance to directors.

Internal audit

The audit committee has responsibility for the internal audit function and the director of internal audit reports directly to the chairman of the audit committee. Our internal audit team provides an objective and continuous stream of data and opinion on risk management and control. To avoid bias, it is entirely independent of the business operations under audit, and line management is to the chairman of the audit committee. The audit committee agrees the annual audit plan and reviews audit reports produced by the internal audit team.

The scope of the audit coverage is defined by the audit committee and covers all systems, procedures and activities of all operations, departments and functions within the Group, including projects, policy developments, financial and non-financial processes.

The internal audit team seeks to determine whether the system of risk management, control and governance processes, as designed and operated by management, is adequate and functioning in such a manner as to ensure that:

- risks are appropriately identified and managed in line with the Company's risk appetite;
- operations are run with sufficient and adequate controls and in an efficient and effective manner;
- significant financial, managerial and operating information is accurate, reliable and timely;
- employee actions are in compliance with policies, standards, procedures, and applicable laws and regulations; and
- relevant laws, rules and regulations are complied with in the operation of the business.

To embed control further, the scores used by internal audit to monitor each business unit's reporting performance also affect operational management bonuses.

The director of internal audit makes regular presentations to the audit committee and reporting includes comparative and trend analysis. During the period under review the audit committee had three closed sessions with the director of internal audit without executive management being present.

Risk committee

During the year a risk committee was established in order to improve the Group's approach to risk management. This is not a committee of the board. It comprises the chief executive, finance director, company secretary, chief information officer and director of internal audit. Other employees attend meetings of the risk committee by invitation, as appropriate, depending on the specific agenda items to be discussed at the meeting. The risk committee meets monthly and its primary purpose is to:

- review the corporate risk register;
- carry out 'deep-dive' reviews into specific departments' and functions' risk registers; and
- provide a forum to remedy lack of progress in making agreed risk-mitigation actions happen.

Code of conduct

Rank has an employee code of conduct that sets out our values and principles and guides everyone's behaviour. Adherence to the code is important. It upholds our reputation and relationships, inside and outside the Company.

The audit committee is responsible for monitoring management reports on employee conduct, including our whistleblowing procedures.

Financial reporting and significant financial issues

The committee assesses whether suitable accounting policies have been adopted and whether management has made appropriate estimates and judgements. The committee reviews accounting papers prepared by management which provide details of the main financial reporting judgements. The committee also reviews reports by the external auditor on the full-year and half-year results which highlight any issues with respect to the work undertaken on the full year audit and the half year review.

Significant accounting issues considered by the committee during the year included:

- impairment review of intangible assets and property, plant and equipment;
- review of provisions, including those in relation to property leases and indirect tax;
- review of ongoing direct tax issues;
- treatment of exceptional items; and
- contingent assets and liabilities.

Audit committee activity in 2013/14

In addition to those items detailed under internal control, risk management and financial reporting and significant financial issues, during the year under review the committee's business has included the following:

- full- and half-year results;
- principal judgemental accounting matters affecting the Group;
- external audit plans and reports including auditor observations and recommendations as a result of controls testing completed for the purposes of the 2012/13 and 2013/14 audits;
- internal audit plans and key reports;
- information security and cyber risk;
- external and internal theft and fraud;
- anti money laundering;
- responsible gambling;
- litigation; and
- whistleblowing and code of conduct reports.

The committee and the board also reviewed the recently published formal guidance to boards with regard to cyber risk that had been prepared by the Institute of Chartered Secretaries & Administrators (ICSA) with the assistance of industry experts from the Department for Business, Innovation and Skills (BIS) and other industry experts on cyber risk.

Significant financial judgements

Before recommending the half-year and full-year financial statements to the board for approval, the committee reviewed the following key accounting issues that rely on significant financial judgements.

Impairments – for indefinite life assets not subject to amortisation, the Group performs an annual impairment review. In addition, the Group also reviews assets that are subject to amortisation or depreciation for events or changes in circumstances that indicate that the carrying amount of an asset or cash-generating unit may not be recoverable. The Group considers each venue to be a cash-generating unit and therefore the review covers in excess of 160 individual cash-generating units.

The committee reviewed management's impairment review process including, where applicable, the cash flow projections and discount rate used to derive a value in use. This included considering the impairment charge arising in Spain of £7.5m where performance at three clubs has not seen the expected recovery following the introduction of the smoking ban in 2011, which has been compounded by a period of prolonged difficult economic conditions in Spain. In addition, the committee considered the £4.1m impairment charge at the Grosvenor Casinos venue in New Brighton, where performance has not developed as expected.

The committee was of the view that the exceptional impairment charges recognised of £12.9m and exceptional impairment reversals of £1.5m were appropriate. Further details of the impairment charges and reversals are disclosed in note 4.

Property lease provisions – at both the half and full year, the committee considered the Group's approach to property lease provisions, the discount rate applied and management's recommendations, in order to satisfy itself how management came to its best estimate of property lease obligations.

The committee noted that the Group has a number of property leasehold contracts and was of the view that appropriate provision had been made against those property leases where the unavoidable costs exceed the expected economic benefit expected to be derived from the property. Further details of the property lease provision held are disclosed in note 22 and the exceptional adjustments made in the current year are disclosed in note 4.

In addition, the committee was also updated in respect of certain property leasehold contracts where the rights and obligations but not the legal titles have been transferred to third parties such that the Group remains potentially liable in the event of default by the third party. Should default occur then the Group would normally have recourse to one or more guarantor entities. These leasehold contracts include 16 remaining property leases, with lease durations of between one month and 99 years and a current annual obligation (net of sub-let income) of approximately £1.5m, that were transferred concurrent to the £211m sale and leaseback in 2006. The committee noted the risk associated with the transfer of such property leasehold contracts but that the Group has not to date been notified of any default, or intention to default, in respect of the transferred leases. Further details of this contingent liability are disclosed in note 31.

Indirect tax provisions – the committee receives and considers an update paper covering the Group's indirect tax issues at both the half and the full year. This covers both the accounting treatment of the Group's various VAT claims and other indirect tax issues.

The committee was of the view that management's best estimate of the liability for the issues that remained outstanding was appropriate. Details of the indirect tax liability recognised are disclosed in note 22.

CORPORATE GOVERNANCE CONTINUED

Direct tax – the committee receives and considers an update paper covering the Group's ongoing direct tax issues at both the half and the full year. These issues cover both discontinued operations with historic tax audits and continuing operations where tax returns submitted have been, or are likely to be, challenged by the relevant tax authority. The committee noted that a number of these issues were successfully concluded during the year by working co-operatively with the relevant tax authorities.

The committee was of the view that management's best estimate of the liability for the remaining issues was appropriate. See note 18 for details of the direct tax liability recognised.

Contingent assets and liabilities – the Group, as noted in the areas of significant judgement above, has had to consider the accounting treatment of a number of potential assets and liabilities. This requires management to apply judgement in assessing the probability of occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company.

The audit committee receives tri-annual updates from management, incorporating legal advice as appropriate, on the accounting treatment for potential assets and liabilities in relation to disclosure or recognition. The committee is of the view that management has appropriately treated such items in the financial statements. Details of the contingent liabilities disclosed are included in note 31.

Principal risks and uncertainties

Details of the Group's principal risks and uncertainties, and what we are doing to address them, can be found on pages 22 to 25. Additionally, details of the financial risks that the Group faces can be found in note 20 to the financial statements.

Assessment of effectiveness of external audit process

Agreement on how best to assess the effectiveness of the external audit process was discussed and agreed between the audit committee and senior management. Part of the effectiveness of the external audit process was assessed by the use of a questionnaire, which posed questions in relation to different aspects of the external audit process. Those individuals employed by Rank most actively involved with the day-to-day aspects of the audit provided responses to certain questions asked of them. The responses were provided to audit committee members for discussion amongst themselves. Additionally, the audit committee considered the Financial Reporting Council's audit quality review findings of Ernst & Young LLP's group and subsidiary audit of Rank in respect of the 18-month period ended 30 June 2012 as outlined in its letter of 25 November 2013 to Ernst & Young LLP.

In addition to a private meeting between the audit committee chair and the external audit partner, the committee met with the auditor following each audit committee meeting in a closed session without executive directors to assess the objectivity and accuracy of financial reporting and to hear any other observations that the auditor had to make.

Audit tendering

The committee has noted the requirements regarding audit tender and rotation of the audit engagement partner. The Company's external audit was most recently tendered during 2009, resulting in a change of external auditors and the appointment of Ernst & Young LLP at the Company's annual general meeting on 22 April 2010. The committee will continue to give consideration to the timing of the next formal tender in the light of the then prevailing regulatory requirements. The committee does not anticipate that a tender will be undertaken during the 2014/15 financial year. There are no contractual obligations that restrict the choice of external auditors.

Auditor

Having reviewed their performance throughout the period, our conclusion that Ernst & Young LLP's effectiveness is satisfactory enables us to recommend their reappointment for 2014/15.

The auditor, Ernst & Young LLP, is willing to continue in office and a resolution that they be re-appointed, at a remuneration to be agreed by the audit committee, will be proposed at the forthcoming annual general meeting.

Relations with external auditor

Our auditor is employed to express an opinion on the financial statements. It reviews the systems of internal financial control and the data contained in the financial statements to the extent necessary to express its opinion.

It discusses with management the reporting of operational results and the financial position of the Group, and presents findings to the audit committee.

Information

The directors in office at the date of this report are not aware of any relevant information that has not been made available to the auditor and each director has taken steps to be aware of all such information and to ensure it is available to the Company's auditor.

Non-audit work

The audit committee oversees the nature and amount of any non-audit work undertaken by the auditor to ensure it remains independent. Consequently, the committee is required to approve in advance all non-audit services above a specified value.

When seeking external accountancy advice in relation to non-audit matters, the Group's policy is to invite competitive tenders where appropriate. It is also the Group's policy to balance the need to maintain audit independence with the desirability of taking advice from the leading firm in the area of advice being sought and the desirability of being efficient.

Details of the fees paid to Ernst & Young LLP throughout the period under review can be found in note 3.

Rank has used the services of other accounting firms for non-audit work during the period under review.

Rank is satisfied that the objectivity and independence of the audit partner and the audit engagement team have not been compromised by the fees paid for the non-audit work undertaken by Ernst & Young LLP.

Assurance

The internal audit function and the external auditor presented their findings to the committee in August 2013 and in January, June and August 2014. We confirm that action plans to remedy identified weaknesses in internal control have been in place throughout the period.

NOMINATIONS COMMITTEE

CHAIRMAN

Ian Burke

OTHER MEMBERS

Lord Kilmorey, Owen O'Donnell, Tim Scoble, Shaa Wasmund, Henry Birch

Appointments to the board

Nominations committee

The formal terms of reference of the nominations committee are available on our website at **www.rank.com/downloads/terms_of_reference/tor_nominations_committee.pdf**, or by written request to the company secretary.

The nominations committee is responsible for identifying relevant talent and nominating all board appointments with due regard for the benefits of diversity on the board, including gender.

During the year under review the committee met formally on three occasions. The main issues which it discussed were:

- succession planning;
- chairmanship and membership of board committees;
- board composition; and
- board diversity.

CORPORATE GOVERNANCE CONTINUED

Board and committee composition
The nominations committee keeps the board's size and structure under review. The nominations committee is of the view that the board is well balanced, providing a collective competence to suit the Group's developing needs and an appropriate blend of executive and non-executive skill. We believe that all our directors are suitably qualified to help steer and challenge Group strategy.

The composition and chairmanship of our board committees are considered annually and have been considered twice during the period under review.

Board diversity
During the period under review, the nominations committee has continued to consider the issue of diversity in the context of the board and is mindful of the benefits that diversity brings to the board.

The board's diversity policy is to recruit the best candidate having regard to the skills and experience required, but with a mind to diversity, including gender diversity. The directors aspire to achieving 25% female representation on Rank's board by 30 June 2016.

Details of the gender breakdowns of directors, senior management and the Group as a whole can be found on page 36 of the strategic report.

Appointment of chief executive
When Mr Burke indicated to the board that he was considering retiring from executive management of the Company, the nominations committee considered the skills and attributes that it would look for in a potential successor to Mr Burke. The committee concluded that any successor to Mr Burke would, in addition to the typical skills and experience expected of a chief executive, need to have significant expertise in digital gaming as this had been identified as a major strategic opportunity for the Group. The committee was of the view that there were no suitable internal candidates with the required experience on the Group's succession plan to put through a formal assessment process.

Mr Burke also advised the majority shareholder that he was considering retiring from executive management of the Company. The majority shareholder decided to engage an executive search firm, Forza International Australia Pty Ltd, to assist them in identifying suitable candidates that the board might consider. From that process, the majority shareholder identified Mr Birch as a suitable candidate and introduced him to the committee so that it might consider him for the role.

The committee agreed that Mr Birch's experience met the committee's specification and each board member then interviewed Mr Birch individually. The board met to discuss their individual views on Mr Birch's suitability for the role and concluded that he was an excellent candidate who possessed all the skills and attributes that it would look for in a successor to the chief executive. The board concluded that it should appoint Mr Birch to the Rank board as chief executive.

The role of chairman
The committee also considered the role of chairman. Mr Burke had indicated that he would, if so invited by the board, be willing to continue to act as chairman of Rank in a non-executive capacity. The committee was mindful of the general principle that a chief executive should not go on to become chairman of the same company.

However, given Mr Burke's particular strengths, knowledge of the existing business and ability to manage communication with all shareholders, the board formed the view that it would be beneficial for all Rank's shareholders if Mr Burke were to continue as chairman but in a non-executive capacity so as to ensure a smooth transition of executive responsibilities.

Re-appointment of non-executive directors / appointment of new non-executive directors
On 11 September 2014 Owen O'Donnell will have served six years on the board. Mindful of Code provision B.2.3 which provides that any term beyond six years for a non-executive director should be subject to particularly rigorous review, and should take into account progressive refreshing of the board, the committee considered carefully the re-appointment of Mr O'Donnell for a further term.

In this respect the committee had regard to the fact that, with the exception of the chairman, Mr O'Donnell was the longest serving member of the board and that it was desirable to retain some corporate memory. Additionally, it had proven challenging to recruit an independent director to join the audit committee and that it would be best for the Company if Mr O'Donnell served a further term. Therefore, on the recommendation of the nominations committee, the board re-appointed Mr O'Donnell as a director of the Company for a third three-year term commencing 11 September 2014.

The nominations committee also considered the re-appointment of Tim Scoble as a director. Mr Scoble served for approximately two years as an appointee of Rank's majority shareholder and, by the time of this year's annual general meeting in October 2014, will have served as an independent director for approximately 30 months. Mr Scoble's breadth of experience as a leisure operator and his prior experience as a chief executive of a listed company are attributes which are of benefit to the Rank board and therefore, on the recommendation of the nominations committee, the board re-appointed Mr Scoble for a term of three years commencing 16 October 2014.

Senior independent director

The committee continues to seek candidates for the role of senior independent director since the resignation of Colin Child on 18 March 2014.

FINANCE COMMITTEE

CHAIRMAN

Ian Burke

OTHER MEMBERS

Henry Birch, Clive Jennings, Tim Scoble

The board has established a finance committee which is comprised of the chairman, chief executive, finance director and one non-executive director, and which is authorised to approve capital expenditure and make financing decisions for the Group up to authorised limits. On behalf of the board, the finance committee's role includes setting, monitoring and reporting on:

- operating plans;
- monthly comparison of operating divisions' actual financial performance against budget; and
- year-end forecasts.

The committee's terms of reference are available from the Company's website at **http://www.rank.com/downloads/terms_of_reference/tor_finance_committee.pdf**, or by writing to the company secretary.

The committee met on nine occasions during the year and the issues it discussed included insurance cover and uninsured risks and some lease renewals within its delegated authority.

DIRECTORS' REMUNERATION REPORT

REMUNERATION COMMITTEE

CHAIRMAN
Tim Scoble

OTHER MEMBERS
Owen O'Donnell, Shaa Wasmund

ANNUAL STATEMENT

Introduction
On behalf of the board, I have pleasure in presenting Rank's directors' remuneration report for the year ended 30 June 2014. There are two parts to the report:

- the first sets out Rank's intended executive remuneration strategy and policy which will take effect immediately following the 2014 annual general meeting (the "Policy Report"); and
- the second describes how the remuneration policy has been implemented during the year ending 30 June 2014 (the "Annual Remuneration Report").

At the Company's forthcoming annual general meeting on 16 October 2014, shareholders will be invited to approve the Policy Report (by way of a binding vote) and the Annual Remuneration Report (by way of a non-binding advisory vote).

Performance outcome
Rank experienced a challenging first half to the financial year and, although performance improved in the second half, the improvement was not sufficient to make up the lost ground in the first half. Although revenue and operating profit have grown during the year, this was due to the contribution of the acquired casinos. On a like-for-like basis, revenues declined during the year. Against this backdrop, targets for bonus purposes were not achieved and therefore no annual cash bonuses have been awarded to the executive directors.

Committee activity during the year
The key focus of the committee during the year has been to ensure alignment of remuneration policy with the Group's business strategy and to ensure that the Company's remuneration policy will continue to be motivating, performance-related and retention-focused. With this in mind the committee has embarked on a review of remuneration arrangements for the senior management team, in particular long-term incentive arrangements. The committee is reviewing the suitability of the current plan and potential changes to the plan over the course of the year. We will consult with shareholders regarding any new plan, or changes to the current plan, towards the end of the year.

Responsible gambling

The committee gave consideration to whether it was appropriate to include measures tied to 'responsible gambling' within the remuneration framework in light of shareholder feedback. The Rank board firmly believes that responsible operation is a fundamental part of each employee's day job and that to link a component of remuneration to responsible gambling measures would detract from that principle. Therefore, the committee and the board do not currently believe it appropriate to link aspects of Rank's executive remuneration to responsible gambling measures. Further information with regard to Rank's approach to responsible gambling can be found on page 139 and at **www.keepitfun.rank.com**.

Balancing shareholder feedback

During the year the committee received feedback from shareholders, largely on the use of 'end-to-end' or 'block' awards under the long-term incentive plan. Not all shareholders hold the same views on executive remuneration and the committee has to balance the different perspectives. Above all, the committee needs to ensure that the remuneration arrangements enable Rank to attract, retain and motivate skilled directors and other senior executives of the highest calibre so as to deliver optimal returns for shareholders which are sustainable. In conclusion, the committee will continue to be mindful of the concerns of shareholders and other stakeholders, and welcomes shareholder feedback on issues related to executive remuneration.

Tim Scoble, Chairman of the remuneration committee
13 August 2014

POLICY REPORT

Remuneration and its components

The committee reviews the Company's remuneration philosophy and structure each year to ensure that the remuneration framework remains effective in supporting the Company's strategic objectives and fairly rewards individuals for the contribution that they make to the business, having regard to the size and complexity of the Group's operations and the need to motivate and attract employees of the highest calibre.

The policy on remuneration of directors (the "Policy") is set out on pages 65 to 70. A binding resolution will be put to shareholders at the annual general meeting to approve the Policy which, if approved, will take effect immediately following the annual general meeting on 16 October 2014.

The performance of Rank is dependent upon the quality of its directors, senior executives and employees and therefore the Group seeks to attract, retain and motivate skilled directors and senior executives of the highest calibre, without paying more than is necessary. In order to attract such individuals the committee needs to ensure that the remuneration packages properly reflect an individual's duties and responsibilities, are appropriate and competitive, sensitive to pay elsewhere within the Group and directly linked to performance.

Committee approach to setting pay policy

The committee intends that the base salary and total remuneration of executive directors should be in line with market median. Remuneration is benchmarked against rewards available for equivalent roles in suitable comparator companies, with the aim of paying neither significantly above nor below the median for each element of remuneration at par target performance levels.

The committee also considers general pay and employment conditions of all employees within the Group and is sensitive to these, to prevailing market and economic conditions and to governance trends when assessing the level of salaries and remuneration packages of executive directors and other members of the executive committee.

The total remuneration package links corporate and individual performance with an appropriate balance between short- and long-term elements, and fixed and variable components. The policy is designed to incentivise executives to meet the Company's key objectives, and so a significant proportion of total remuneration is performance-related.

The committee considers that the targets set for the different components of performance-related remuneration are both appropriate and sufficiently demanding in the context of the business environment and the challenges facing the Group.

DIRECTORS' REMUNERATION REPORT CONTINUED

Future policy table

The key components of executive directors' remuneration, as applicable from 16 October 2014, are summarised below:

Component	Purpose and link to business strategy	Mechanics, operation and performance framework
BASE SALARY	To attract and retain skilled, high-calibre individuals to deliver the Group's strategy.	Base salaries are reviewed annually and are appropriately set to reflect: • the role's scope, responsibility and accountabilities; • market data; • general rates of increase across the Group; and • the performance and effectiveness of the individual. Any increase will take effect on 1 January of the following year.
INSURED AND OTHER BENEFITS	Insured and other benefits are offered to executive directors as part of a competitive remuneration package.	Insured benefits comprise private healthcare insurance for executive directors and dependants, life assurance and permanent health insurance. Other benefits comprise a cash car allowance and the fuel cost of all mileage (private and business). The amount of the cash car allowance is reviewed periodically by the committee in the light of market conditions.
RETIREMENT PROVISIONS	Rewards sustained contribution and encourages retention.	Executive directors are automatically enrolled in The Rank Group Workplace Pension Scheme (the "Pension Scheme") in accordance with the Company's obligations under the Pensions Act 2008. The Company will contribute into the Pension Scheme at the rate of 10% of the executive director's base salary. If the executive director chooses to opt out of his automatic enrolment in the Pension Scheme he is entitled to receive a cash allowance of an annual amount equivalent to 10% of basic salary.
ANNUAL BONUS	Motivates the achievement of annual strategic, financial and personal performance. Rewards individual contribution to the success of the Company.	Rank operates an annual cash bonus scheme in which executive directors participate. Under the scheme an annual bonus pool is created based on the return on shareholder funds over a one-year period. The bonus plan operates on a pool system with sharing rates varying based on performance above a threshold. The mechanics of the plan are set by the committee at the start of the year with payment made after year end following the committee's assessment of performance relative to targets. The primary performance measure is the return on shareholder funds, as this determines the size of the pool. The allocation of the pool between individuals is at the committee's discretion in light of the achievement of annual financial and strategic goals as well as individual performance. A full description of the performance measures in place and how these determine the bonus pool will be provided in the Annual Remuneration Report. The scheme operates a threshold level of performance below which no bonus is paid. However, the resulting pay-out, as a percentage of salary, will vary year-on-year in line with bonus pool funding.
LONG-TERM INCENTIVE PLAN	The long-term incentive plan is intended to align the interests of the executive directors and shareholders through the creation of shareholder value over the long term.	The Rank Group Plc 2010 Long-Term Incentive Plan is currently the only long-term equity-based incentive scheme in place for the executive directors and other senior executives. Executive directors may receive contingent share awards which have the ability to vest after a three-year period based on the achievement of specified performance targets. The committee may apply a further holding period to all or part of the award to further align directors' interests with those of shareholders. The committee will determine measures and targets at the beginning of each cycle to ensure continuing alignment with strategy. Performance targets may relate to both financial and non-financial measures linked to the Company's long-term business strategy, including: • Group EBITDA • Group profit after tax

	Maximum
	Ordinarily any increases in executive directors' base salaries will be limited to those received by the wider workforce during the year (except for reasons of promotion or salary being determined to be significantly out of line with market median).
The committee retains the discretion to offer relocation assistance in the form of an allowance or otherwise to support the movement of executive talent across the business. If provided, the committee aims to ensure payments are not excessive and support business needs. As such, relocation assistance will be reviewed on a case-by-case basis taking into account factors such as the individual's circumstances and the geographies involved, meaning that there is no prescribed formula for calculating the level or structure of payments.	It is anticipated that the provision of insured and other benefits will not exceed 10% of salary. The committee may exceed this should the cost of the benefits provided change in accordance with market conditions or in the event of the payment of relocation assistance.
The committee retains the discretion to honour all contractual pension arrangements agreed prior to the application of this Policy. Details of such arrangements are disclosed in the Annual Remuneration Report.	For all new appointments the maximum pension contribution (defined contribution or cash supplement) will be 10% of base salary. Legacy arrangements to be honoured (% of salary): FD: 15%
The measures governing the allocation of the pool to executive directors will be set and disclosed retrospectively on an annual basis, to the extent this is not commercially sensitive. The annual bonus plan is discretionary and the committee reserves the right to adjust payments up, or down. Any such adjustment would only be in exceptional circumstances which would be outlined in the relevant year's annual remuneration report. To allow the committee to assess the quality of earnings over the year and to introduce an element of retention into the scheme, any cash bonuses earned by the executive directors will be subject to a six-month deferral period and will be paid in the December following the 30 June financial year end.	CEO: 100% of base salary FD: 80% of base salary
• Group annual active customers • Group digital revenue • Strategic objectives of the Group The following amounts will vest in accordance with performance: • There is no threshold level of performance under the plan. • Maximum: 100%. • Other points on the vesting schedule will be determined by the committee when the performance targets are set. At the end of the performance period, the committee will have absolute discretion to determine the extent to which the awards will vest, if at all, on account of underlying Company performance. If discretion is applied, the level and reasons for its application will be fully disclosed in the following year's annual report on remuneration.	Per annum award levels (% of base salary): CEO: 200% FD: 133% (to date three-year block awards have been granted to the CEO and FD at 600% and 400% of base salary respectively)

DIRECTORS' REMUNERATION REPORT CONTINUED

Additional notes to the Policy table

Setting of performance measures and targets

The committee reviews and selects performance measures at the beginning of each award cycle under both the annual bonus plan and the long-term incentive plan, being informed by the short- and long-term priorities of the Group at the time. The committee considers the Group's key performance indicators and strategic business plan when selecting measures and calibrating targets. Details of these are included in the Annual Report each year. Factors that the committee may consider include the benchmark return rate on shareholder funds, strategic plan, the annual budget, analysts' forecasts, economic conditions, individuals' areas of responsibilities, the committee's expectations over the relevant period and input from the major shareholder.

Differences in the remuneration policy for executives relative to the broader employee population

The remuneration policy in place for the executive directors is informed by the structure operated for the broader employee population. Pay levels and components vary by organisational level but the broad themes and philosophy remain consistent across the Group:

- salaries are reviewed annually with regard to the same factors as set out in the Policy table for executive directors;
- consistent with executive directors, senior executives together with general and some operational managers of our business units participate in the annual bonus plan, with bonus pool funding dependent on profit performance of the Group or brand depending on their level;
- members of the senior management team can be considered for awards under the long-term incentive plan. This is intended to encourage share ownership in the Company and align the management team with the strategic business plan; and
- eligibility for and provision of benefits and allowances varies by level and local market practice. It is standard for senior management team members to receive a company car allowance. Pension provision below board level is overall at lower contribution rates, with the majority of Rank's eligible employees now being automatically enrolled into the Pension Scheme. However, a significant proportion of employees remain in The Rank Group Stakeholder Pension Plan, where the standard contribution rates are the same as those offered to board-level members.

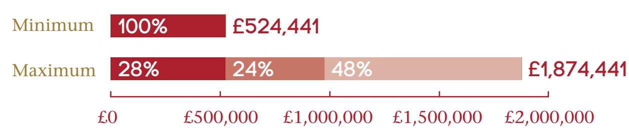
Potential reward opportunities at different levels of performance

The following graphs exhibit the Policy for existing executive directors and show indicative total remuneration levels under different performance scenarios. The remuneration policy results in a high portion of total remuneration being dependent on performance, with a majority tied to the long-term performance of the Group.

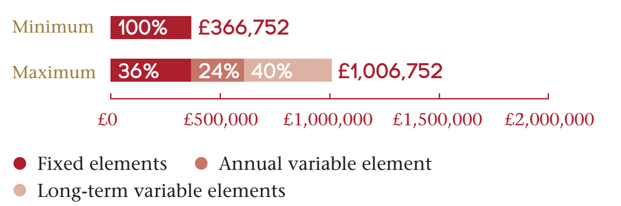
The annual bonus and long-term incentive schemes do not operate an 'on-target' award level. Under the bonus scheme awards will depend on bonus pool funding and as such are variable year-on-year. A maximum cap is in place under the scheme. Under the long-term incentive plan performance is considered against each selected metric independently with committee discretion applied as to the level of overall vesting. Given the structure of incentive arrangements we have not provided an 'on-target' scenario in the following charts, rather a minimum and maximum only which better reflects the operation of the incentive schemes at Rank. The two performance scenarios are calculated as follows:

- **Minimum** – performance below target which results in no variable remuneration being payable.
- **Maximum** – 100% of the maximum annual cash bonus and full vesting of the long-term incentive award achieved.

CHIEF EXECUTIVE



FINANCE DIRECTOR



Assumptions:

Fixed elements comprise base salary, pension and benefits. Base salary and pension levels are as at 1 July 2014. Benefit levels are assumed to be the same as those provided during the last financial year. As Henry Birch became chief executive during 2013/14, his benefit levels have been annualised.

The long-term incentive award values depicted in the charts above represent the annualised opportunity to directors under the currently-operated remuneration policy.

The graph depicting policy for the chief executive represents policy as applied to Henry Birch, the new chief executive of the Company. Ian Burke, the former chief executive, now acts as chairman and is not subject to the executive director remuneration policy going forward.

No account is made for share price growth or the payment of dividends.

No element of pay for the chairman or non-executive directors varies with performance and so no separate graphs are included.

Approach to recruitment remuneration

The committee will apply the Policy to new executive directors in respect of all components of remuneration. As such, the maximum level of variable remuneration which may be granted is 300% of base salary on an annualised basis for the CEO and 213% of base salary on an annualised basis for other executive directors.

The committee may also make an additional award of cash or shares on the appointment of a new director in order to compensate for the forfeiture of an award from a previous employer. Such awards would be made on a comparable basis, taking account of performance, the proportion of the performance period remaining and the type of award. The committee will set appropriate performance conditions and vesting would be on the same time horizon as the forfeited award.

For both internal and external appointments, the committee may agree that the Company will meet certain relocation expenses, as set out in the Policy table.

New non-executive directors will be appointed on the same remuneration elements as the existing non-executive directors. It is not intended that variable pay, day rates or benefits in kind be offered.

Approach to termination payments

The Company does not believe in reward for failure. The circumstances of a director's termination (including the director's performance) and an individual's duty to mitigate losses are taken into account in every case. Rank's policy is to stop or reduce compensatory payments to former executive directors to the extent that they receive remuneration from other employment during the compensation period. Compensatory payments are limited to 12 months' base salary, cash car allowance and defined pension contributions (or salary supplements).

Annual bonus awards will lapse in their entirety in the event an individual is no longer employed or serving their notice period at the time of pay-out.

If the holder of a long-term incentive award ceases, for any reason, to be an executive director or employee of a Rank Group company, that holder's long-term incentive award shall lapse immediately upon him ceasing to be an executive director or employee. However, the committee may in its absolute discretion allow awards to continue until the normal vesting date and be satisfied, subject to the achievement of the relevant performance conditions. In such circumstances, awards vesting will be prorated on a time-apportioned basis, unless the committee determines otherwise. Any such discretion in respect of leavers would only be applied by the committee to 'good leavers' where it considers that continued participation is justified, for example, by reference to past performance to the date of leaving.

Change of control

In the event of a change of control, the committee has absolute discretion as to whether and on what basis awards should vest under the long-term incentive plan. The committee would normally allow awards to vest upon a change of control subject to satisfaction of performance conditions and reduction on a time-apportioned basis.

Executive directors' service agreements

It is the Company's policy that executive directors have rolling service agreements.

The current executive directors' service contracts contain the key terms shown in the table below:

Provision	Detailed terms
Remuneration	• Base salary, pension and benefits • Cash car allowance • Private health insurance for director and dependants • Life assurance • Permanent health insurance • Participation in annual bonus plan, subject to plan rules • Participation in long-term incentive plan, subject to plan rules • 25 days' paid annual leave
Notice period	• 12 months' notice from both the Company and from the director
Termination payment	Payment in lieu of notice equal to: • 12 months' base salary • Cash car allowance (chief executive only) • Pension supplement (chief executive only) All of the above would be paid in monthly instalments, subject to an obligation on the part of the director to mitigate his loss such that payments would either reduce, or cease completely, in the event that the director gained new employment.
Restrictive covenants	During employment and for nine months (chief executive) and 12 months (finance director) after leaving.

Service agreements outline the components of remuneration paid to the individual director but do not prescribe how remuneration levels may be adjusted from year to year.

The executive directors have served on the board for the periods shown below and have service agreements dated as follows:

Position	Name	Date of contract	Length of board service at 30 June 2014
Chief executive	Henry Birch	24 April 2014	2 months
Finance director	Clive Jennings	27 July 2011	2 years 11 months

DIRECTORS' REMUNERATION REPORT CONTINUED

Chairman
The Company separated the role of chairman and chief executive with effect from 6 May 2014.

The chairman, Ian Burke, has a letter of engagement dated 22 April 2014 which is effective from 6 May 2014 and which replaced his service agreement dated 6 March 2006 in respect of his former role as chief executive. He has initially been engaged as non-executive chairman for a period of three years. His appointment is terminable without compensation on three months' notice from either side. The chairman receives a fee of £150,000 per annum which includes his chairmanship of the nominations and finance committees. This fee will be reviewed annually by the committee, with reference to the size and complexity of the role and external market comparisons, in the final quarter of each calendar year with any increase taking effect on 1 January. The chairman is not entitled to any benefits in kind and is not eligible for pension scheme membership, bonus or incentive arrangements.

Non-executive directors' remuneration
The fees for the non-executive directors are generally reviewed and determined by the finance committee in the final quarter of each calendar year to reflect appropriate market conditions.

Non-executive director annual base and additional fees for the year ended 30 June 2014 comprise:

- Base non-executive annual fee £40,000
- Audit committee chair £8,500
- Remuneration committee chair £7,500
- Senior independent director £2,500

The base fee includes membership of the audit, remuneration, nominations and finance committees. Non-executive directors are not entitled to any benefits in kind and are not eligible for pension scheme membership, bonus or incentive arrangements.

The Company reserves the right to review fee levels annually with reference to the size and complexity of the role and external market comparisons. Any increases to fee levels will be effective from 1 January the following year. The aggregate fees will not exceed the maximum permitted by the Company's articles of association, which is currently £500,000.

Non-executive directors have letters of engagement setting out their duties and the time commitment expected. They are appointed for an initial period of three years, after which the appointment is renewable by mutual consent at intervals of not more than three years. In accordance with the Code, all directors offer themselves for annual re-election by shareholders. Details of non-executive directors' appointments, which are terminable without compensation, are set out in the table below.

Shareholder engagement
The table on page 78 shows the voting outcome for the 2012/13 directors' remuneration report at the 2013 annual general meeting, both including and excluding the Company's majority shareholder.

The voting outcome for the 2013 directors' remuneration report, although disappointing, was not wholly unexpected given the feedback received from the institutional shareholder consultation that had taken place regarding proposals for the 2012/13 long-term incentive award. Whilst the committee had been mindful of the reservations of some shareholders with regard to 'end-to-end' schemes (also known as 'block' awards), the committee had also considered the views of the majority shareholder. The majority shareholder was of the view that Rank's historical long-term incentive awards based on incremental earnings per share targets were not incentivising management to deliver transformational growth and therefore superior returns for the benefit of all shareholders. The majority shareholder had experience elsewhere in its group of companies of 'end-to-end' schemes working well to deliver exceptional performance and urged the committee to consider the benefits to all shareholders of incentivising executives in a different way. The committee will be re-considering this approach in 2014 and anticipates undertaking a further shareholder consultation in the latter part of the 2014 calendar year for the purposes of implementing a new long-term incentive scheme.

Statement of consideration of employment conditions elsewhere in the Company
As described in the notes to the Policy table on page 68 the overarching themes of the Policy in place for executive directors are broadly consistent with those applied to the wider employee population. The committee does not use any comparison metrics when reviewing pay in relation to the wider employee population, other than the consideration of the general rates of increase across the Group, nor does it deem it to be appropriate to consult with employees on the remuneration policy for executive directors.

Non-executive directors' appointments

Non-executive director	Original date of appointment	Date of letter of engagement	Total length of service as at 30 June 2014
Owen O'Donnell	11 September 2008	20 August 2008	5 years 9 months
Tim Scoble	22 April 2010	17 May 2010	4 years 2 months
Lord Kilmorey	1 May 2012	29 March 2012	2 years 2 months
Shaa Wasmund	1 November 2012	26 September 2012	1 year 8 months

ANNUAL REMUNERATION REPORT

The directors' remuneration report has been prepared on behalf of the board by the remuneration committee (the "committee"), under the chairmanship of Tim Scoble.

The committee has applied the principles of good governance set out in the UK Corporate Governance Code and, in preparing this report, has complied with the requirements of the Companies Act 2006 and the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 (the "Regulations").

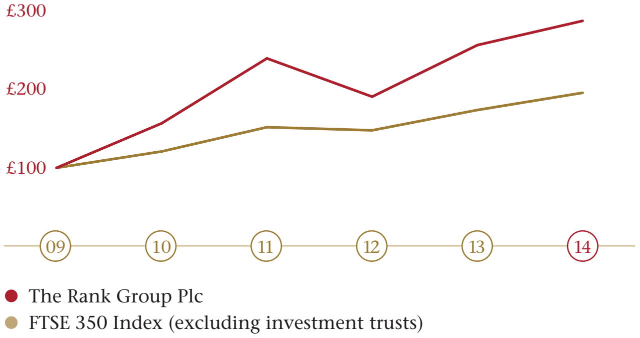
Rank's external auditor is required to report to shareholders on the audited information contained in this report and to state whether, in its opinion, it has been prepared in accordance with the Regulations. The audited information in the Annual Remuneration Report is as follows: directors' single remuneration figure, contingent share awards with a performance period ended on 31 December 2013, active contingent share awards and targets as at 30 June 2014, pensions, other payments and obligations, share ownership guidelines and directors' interests in shares.

Total shareholder return

The following graph illustrates the Company's total shareholder return ("TSR") performance (shown in red on the following charts) compared with the FTSE 350 index (excluding investment companies) for the five years to 30 June 2014. The committee has selected this index as the Company was a constituent of the FTSE 350 for the entirety of this period. In addition, the committee feels it also appropriate to provide a view of TSR for the five years to 31 December 2013, allowing for the fact that the performance period of the contingent share award made in 2011 was the three calendar years ended 31 December 2013.

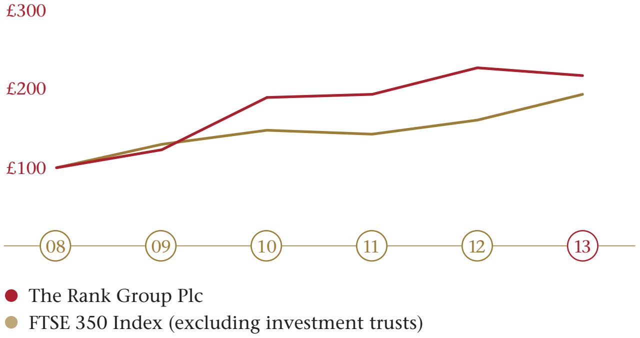
HISTORICAL TSR PERFORMANCE

Growth in the value of a hypothetical £100 holding over five years
Comparison based on spot values on 30 June each year



HISTORICAL TSR PERFORMANCE

Growth in the value of a hypothetical £100 holding over five years
Comparison based on spot values on 31 December each year



DIRECTORS' REMUNERATION REPORT CONTINUED

Directors' single remuneration figure

The tables below present a single remuneration figure for each director for the years ended 30 June 2014 and 30 June 2013 in respect of performance during the years ended on those dates:

	Fixed pay (£)				Performance pay (£)			
2013/14	Salary	Taxable Benefits	Pension	Sub-total	Cash bonus	2011 LTIP vesting	Sub-total	2013/14 total remuneration (£)
Executive directors								
Henry Birch[1]	70,385	4,517	6,948	81,850	0	n/a	0	81,850
Ian Burke[2]	476,137	25,968	161,698	663,803	0	0	0	663,803
Clive Jennings	300,000	21,752	44,145	365,897	0	0	0	365,897
Non-executive directors								
Ian Burke[2]	18,269	n/a	n/a	£18,269	n/a	n/a	n/a	£18,269
Colin Child[3]	33,640	n/a	n/a	£33,640	n/a	n/a	n/a	£33,640
Lord Kilmorey	40,000	n/a	n/a	£40,000	n/a	n/a	n/a	£40,000
Owen O'Donnell[4]	41,646	n/a	n/a	£41,646	n/a	n/a	n/a	£41,646
Tim Scoble[5]	47,500	n/a	n/a	£47,500	n/a	n/a	n/a	£47,500
John Warren[6]	14,550	n/a	n/a	£14,550	n/a	n/a	n/a	£14,550
Shaa Wasmund[7]	40,000	n/a	n/a	£40,000	n/a	n/a	n/a	£40,000

	Fixed pay (£)				Performance pay (£)			
2012/13	Salary	Taxable Benefits	Pension	Sub-total	Cash bonus	2010 LTIP vesting	Sub-total	2012/13 total remuneration (£)
Executive directors								
Ian Burke	525,300	29,576	183,855	738,731	0	528,758	528,758	1,267,489
Clive Jennings	300,000	21,147	44,161	365,308	0	n/a	0	365,308
Non-executive directors								
Colin Child[3]	40,000	n/a	n/a	40,000	n/a	n/a	n/a	40,000
Lord Kilmorey	40,000	n/a	n/a	40,000	n/a	n/a	n/a	40,000
Owen O'Donnell[4]	40,000	n/a	n/a	40,000	n/a	n/a	n/a	40,000
Tim Scoble[5]	40,000	n/a	n/a	40,000	n/a	n/a	n/a	40,000
John Warren[6]	48,500	n/a	n/a	48,500	n/a	n/a	n/a	48,500
Shaa Wasmund[7]	27,000	n/a	n/a	27,000	n/a	n/a	n/a	27,000

1 Henry Birch became chief executive on 6 May 2014.
2 Ian Burke resigned as chief executive on 6 May 2014 and continued to be paid his full salary until 16 May 2014 whereupon of payment of his non-executive chairman fees began. Ian Burke received no other payments in connection with termination of his employment.
3 Colin Child became senior independent director on 1 July 2013, chairman of the audit committee on 18 October 2013 and resigned as a director on 18 March 2014.
4 Owen O'Donnell became chairman of the audit committee with effect from 22 April 2014.
5 Tim Scoble became chairman of the remuneration committee on 1 July 2013.
6 John Warren resigned as a director on 17 October 2013.
7 Shaa Wasmund was appointed to the board on 1 November 2012.

Non-executive directors receive fees only, details of which are provided on page 70 together with the non-executive chairman's fees, which have been paid since 17 May 2014. These amounts are within the maximum annual aggregate amount of £500,000 permitted by the Company's articles of association.

The aggregate total annual amount received by all directors during the year ended 30 June 2014 is shown below:

	2013/14	2012/13
Executive directors	£1,111,551	£1,104,039
Chairman[1] and non-executive directors	£235,605	£306,000[2]
Total	**£1,347,156**	**£1,410,039**

1 The separate role of non-executive chairman was created with effect from 6 May 2014 and was remunerated with effect from 17 May 2014.
2 The reason for the difference between this number and the total on the 2012/13 table above is due to two former directors.

Performance pay

The tables below show former and current chief executive total remuneration over the last five years (in the case of Henry Birch, since his date of appointment on 6 May 2014) and their achieved annual variable and long-term incentive pay awards as a percentage of the plan maximum:

Henry Birch (from 6 May 2014)	Single figure of total remuneration	Annual cash bonus: actual pay out vs. maximum opportunity	LTIP vesting rates against maximum opportunity
2013/14 (2 months)	£81,850	0.0%	n/a

Ian Burke (until 16 May 2014)	Single figure of total remuneration	Annual cash bonus: actual pay out vs. maximum opportunity	LTIP vesting rates against maximum opportunity
2013/14 (10.5 months)	£663,804	0.0%	0.00%
2012/13 (12 months)	£1,267,489	0.0%	96.25%
2011/12 (18 months)	£3,254,000[1]	40.0%	100.00%
2010 (12 months)	£1,083,000	63.5%	0.00%
2009 (12 months)	£1,110,000	69.5%	0.00%

1 This included an exceptional discretionary bonus equal to 100% of base salary to reward exceptional efforts on behalf of the then chief executive in creating additional sustainable long-term shareholder value via the transformation of the Company's balance sheet that was paid by three equal instalments in September 2012, April 2013 and December 2013.

Base salary

There were no increases to base salary for the executive directors or other members of the executive committee during the year ended 30 June 2014. Base salaries for the executive directors as at 1 July 2014 are:

- Chief executive £450,000
- Finance director £300,000

Annual bonus plan

The annual bonus plan is structured as a pool, funded each year as a percentage of adjusted profit for the year with the sharing rate dependent on performance. Performance is based on the rate of return achieved on opening shareholder funds for the year. Shareholder funds is determined by the market value of the Group when the scheme was introduced in July 2012, inflated annually by the difference between profit after tax, exceptionals and discontinued operations for the year and cash dividends paid to shareholders. The target rate of return is set at the beginning of each year by the committee. If the target rate of return is achieved a bonus pool of 2% of shareholder funds is created. A modifier is applied to the bonus rate for below target performance. At the minimum rate of return, the bonus pool modifier is set at 50% up to 100% at the maximum rate of return. The remuneration committee has the discretion to exclude items reported as discontinued or exceptional. The bonus pool is allocated at the discretion of the committee with regard to individual, corporate and relative performance to peers.

2012/13 annual cash bonus

At the time of publication of last year's report, the committee had not determined the extent to which the executive directors had earned a bonus. The committee is therefore reporting in this year's report the outcome of that year's bonus scheme.

The target Group adjusted profit after tax in order to trigger creation of a bonus pool in that year was £38.2m, with the target required for maximum bonus entitlement being £54.5m. The Group achieved £39.2m adjusted profit after tax which resulted in the creation of a bonus pool of £391,540[1] (equal to 1% of the Group adjusted profit after tax) for distribution amongst the executive directors and other members of the executive committee at the discretion of the committee.

Taking into consideration the performance of the Group as a whole, the executive directors were of the view that it would not be appropriate to receive a bonus in respect of financial year 2012/13 and recommended to the committee that no bonus be paid for the year. The committee accepted this recommendation.

2013/14 annual cash bonus

The target Group profit after tax in order to trigger creation of a bonus pool for that year was £43.6m, with the target required for maximum bonus entitlement being £62.3m. The Group did not achieve the minimum rate of return and consequentially no bonus pool has been created for distribution.

1 In the Company's 2012/13 annual report, the bonus pool available for distribution was stated as being £450,000. That figure was total cost to the Company in the event that the available bonus pool was paid out (ie: it was inclusive of associated employer's national insurance contributions).

DIRECTORS' REMUNERATION REPORT CONTINUED

Contingent share awards with a performance period ended on 31 December 2013

Following the half year end on 31 December 2013, the committee considered whether the 2011 three-year contingent share awards should vest. The details and targets for those awards were:

	2011 award	
Director	CEO (Ian Burke)	FD (Clive Jennings)
Date of grant	11 March 2011	4 August 2011
Performance period	1 January 2011 to 31 December 2013	1 January 2011 to 31 December 2013
No. of shares comprised in award	307,193	124,819
Value of award at grant	£393,975	£172,500
Minimum adjusted EPS (threshold vest)	12.0p	12.0p
Maximum adjusted EPS (100% vest)	14.0p	14.0p
Mean consensus EPS forecast prior to grant	11.7p	11.7p
Adjusted EPS at end of performance period on 31 December 2013	11.8p	11.8p

Given that the adjusted EPS at the end of the performance period on 31 December 2013 was less than the minimum required for threshold vesting, the contingent share awards made in 2011 lapsed in full.

The table below, which is unaudited, sets out the vesting percentage of each LTIP award made to executive directors within the last five years and the vesting percentage of the sole extant award, had it vested on 30 June 2014:

Year of award	Maturity date	Performance conditions	EPS performance indicative vesting percentage	TSR adjusted vesting performance
2007	1 January 2010	Adjusted EPS	43.5%	0.0%
2007	1 January 2011	Adjusted EPS	58.0%	0.0%
2008	1 January 2011	Adjusted EPS	100.0%	100.0%
2009	1 January 2012	Adjusted EPS	100.0%	100.0%
2010	1 January 2013	Adjusted EPS	96.25%	96.25%
2011	1 January 2014	Adjusted EPS	0.0%	0.0%
2012/13	1 July 2015	Various (see page 75)	0.0%	0.0%

Given that the adjusted EPS at the end of the performance period on 31 December 2013 was less than the minimum required for threshold vesting, the contingent share awards made in 2011 lapsed in full.

Active contingent share awards and targets as at 30 June 2014

The only outstanding contingent share awards made under the LTIP are those with a three-year performance period ending on 30 June 2015 (the "Awards"). Outstanding Awards to the executive directors are set out below:

	2012/13 award	
Director	CEO (Henry Birch)[1]	FD (Clive Jennings)
Plan	2010 LTIP	2010 LTIP
Date of grant	29 May 2014	26 June 2013
Number of shares comprised in award	656,250	770,218
Market value of award at grant	£1,050,000[1]	£1,200,000
Annualised market value of award at grant	£350,000[1]	£400,000
Performance period	1 July 2012 to 30 June 2015	
Earliest vest date for first instalment	1 September 2015 (or, if later, as soon as practicable following completion of the audit of the Company's consolidated financial statements for the year ended 30 June 2015) (40%)	
Vest date for second instalment	1 September 2016 (40%)	
Vest date for third instalment	1 September 2017 (20%)	
Award targets for performance period ending 30 June 2015:		
Group EBITDA	£148.5m	
Group profit after tax	£63.3m	
Group annual active customers	3,175,000	
Group digital revenue	£109.2m	
Strategic objectives of the Group	Specific objectives deemed to be commercially sensitive by the committee	

1 Henry Birch's award was made on the same basis of that to Ian Burke but pro-rated so as to reflect his joining part way through the three-year performance period.

As reported last year, in 2013 the committee resolved to make 'block' contingent share awards to the executive directors and other senior executives covering the period 1 July 2012 to 30 June 2015. The award sizes for the chief executive and finance director were, respectively, 6.0x and 4.0x base salary, equivalent to an annual award of 2.0x base salary for the chief executive and 1.33x for the finance director. Ian Burke's contingent award over 2,022,978 shares, made on 26 June 2013 lapsed in full upon his ceasing to be an executive director on 6 May 2014.

The performance targets for the Award, which are set out in the table above, will be measured against the audited consolidated results of the Company for the financial year ended 30 June 2015. To the extent that achievement of a performance target would not ordinarily be readily identifiable from the published audited consolidated financial statements of the Company for the financial year ended 30 June 2015, the auditor of the Company will be requested to include a review of the relevant performance target as part of its year-end audit procedures for the financial year ended 30 June 2015.

Where not all of the performance targets are met, the committee will determine the extent to which the Awards shall vest, if at all, based upon the performance against the set objectives.

Notwithstanding achievement of all or any part of the performance targets, the directors have absolute discretion to determine the extent to which the Awards will vest, if at all, having regard to the Company's TSR performance over the performance period as compared with the comparable TSR performance of companies within the FTSE 350 Index.

DIRECTORS' REMUNERATION REPORT CONTINUED

Pensions

Ian Burke received a salary supplement equal to 35% of his base salary in lieu of pension until 16 May 2014. Henry Birch received a salary supplement equal to 10% of his base salary from the date of his appointment on 6 May 2014. Until 30 March 2014, Clive Jennings was a member of The Rank Group Stakeholder Pension Plan and received a Company pension contribution of 15% of base salary less the statutory 'lower earnings limit'. Since 1 April 2014 he has received a cash supplement in lieu of those Company contributions.

Executive director	Amount paid
Ian Burke (until 16 May 2014)	£161,698
Henry Birch (from 6 May 2014)	£6,948
Clive Jennings	£44,145

Benefits

Executive director	Company car	Other benefits	Total benefits paid
Ian Burke (until 16 May 2014)	£16,271	£9,697	£25,968
Henry Birch (from 6 May 2014)	£3,128	£1,389	£4,517
Clive Jennings	£12,750	£9,002	£21,752

Other payments and obligations

No payment for compensation for loss of office was paid to, or receivable by, Ian Burke upon his resignation as chief executive. No other executive directors left the Company during the year ended 30 June 2014 and therefore no payments for compensation for loss of office were paid to, or receivable by, any director (30 June 2013: £nil). With the exception of a payment to the widow of John Garrett, a former executive director who resigned on 2 February 1998, who received £44,035 (2012/13: £42,855) in respect of an unfunded pension obligation, no payments were made during the year ended 30 June 2014 to any past director of the Company.

External appointments

Executive directors are not permitted to take up non-executive directorships outside the Group. Henry Birch was a non-executive director of the AIM-listed PLUS 500 Limited until 12 May 2014 and received fees in respect of such directorship. He was permitted to retain the fees relating to the six days that such directorship overlapped with his employment by the Company.

Share ownership guidelines and directors' interests in shares

Below we set out details of the share ownership guidelines in operation until October 2011. In light of the Company's free float position (see page 80), these have been suspended until a higher free float position is achieved.

Until October 2011, independent non-executive directors were using between 30% and 40% of their base net fees (after tax) to purchase ordinary shares in the Company at quarterly intervals, with the intention that such shares be retained throughout their tenure of service.

Similarly, the Group had guidelines for executive shareholding which were set as a percentage of base salary and in respect of which executives had five years from appointment to build up. These guidelines were as follows:

Chief executive	150%
Finance director	100%
Other executive committee members	50%

Shareholdings of directors of the Company and its subsidiaries are not considered to be in public hands for the purposes of determining the sufficiency of the percentage of shares in public hands (the "free float") in the context of qualification for a listing on the UKLA's premium market. In view of the low level of free float following the completion of Guoco Group Limited's general offer for Rank in July 2011, the non-executive director quarterly share purchase programme and the shareholding guidelines for executive directors and other members of the executive committee who are directors of Rank subsidiary companies were suspended pending a restoration of the Company's free float to a higher level. For further information with regard to the Company's free float position, please see page 80.

Directors' shareholdings as at 30 June 2014 and as at 13 August 2014 are set out in the table below:

Name	Ordinary $13\frac{8}{9}$p shares as at 30 June 2014 and as at 13 August 2014	Ordinary $13\frac{8}{9}$p shares as at 1 July 2013
Non-executive directors		
Ian Burke	763,556	763,556
Lord Kilmorey	0	0
Owen O'Donnell	21,224	21,224
Tim Scoble	0	0
Shaa Wasmund	0	0
Executive directors		
Henry Birch	0	n/a
Clive Jennings	0	0

Dilution limits

The LTIP, being the Company's only equity-based incentive plan, incorporates the current ABI guidelines on headroom which provide that overall dilution under all plans should not exceed 10% over a 10-year period in relation to the Company's issued share capital, with a further limitation of 5% in any 10-year period for executive plans.

The committee regularly monitors the position and prior to the making of any award considers the effect of potential vesting of awards to ensure that the Company remains within these limits. Any awards which are required to be satisfied by market purchased shares are excluded from the calculations. No treasury shares were held or utilised in the year ended 30 June 2014.

Relative importance of spend on pay

The table below shows the expenditure and percentage change in overall spend on employee remuneration and distributions paid to shareholders through the dividend paid in the year and share buybacks.

	2013/14	2012/13	Percentage change
Overall expenditure on pay[1]	£208.2m	£185.9m	12%
Dividend paid in the year	£ 16.4m	£14.7m	12%
Share buyback	£ nil	£ nil	0%

1 The growth in pay is, in part, due to the acquisition of 19 Gala casinos during the 2012/13 financial year.

Statement of change in pay of chief executive compared with other employees

The table below sets out the chief executive's base salary, benefits and annual bonus amounts for the period from when he joined on 6 May 2014 to 30 June 2014. As the chief executive was appointed during the year, no year-on-year change can be reported. We show the average change in gross earnings for all UK employees across the Group.

	Chief executive		All UK employees[2]
	6 May 2014 to 30 June 2014	Percentage change[1] (2012/13 vs. 2013/14)	Percentage change (2012/13 vs. 2013/14)
Salary	£70,385	n/a	n/a
Benefits	£4,517	n/a	n/a
Bonus	£0	n/a	n/a
Gross earnings[3]	£73,513	n/a	- 3.1%

1 Mr Birch joined the Group on 6 May 2014 and therefore has not had a pay increase during the year under review. His predecessor, Mr Burke, who stood down as chief executive on 6 May 2014, did not have a pay increase during the year under review.

2 For the avoidance of doubt 'all UK employees' includes the former and current chief executives. Individual compensation elements for the wider employee population are not readily available to compare separately, hence providing gross earnings as our main comparison metric.

3 'Gross earnings' excludes insured benefits and pension payments. Gross earnings for employees of the former Gala casinos, acquired in May 2013, are also excluded from this value, as 2012/13 gross earnings figures are unavailable for comparison to 2013/14 figures.

Role and remit of the committee

The committee assists the board in setting the remuneration packages for the Company's executive directors and other executive committee members.

The committee has three scheduled meetings a year to discuss a rolling agenda of items and additional meetings are convened as necessary. By invitation, the chief executive, human resources director, company secretary and, since 6 May 2014, the chairman attend and contribute to meetings, but are not present at discussions regarding their own remuneration.

The committee's formal terms of reference are available on Rank's website at **www.rank.com/downloads/terms_of_reference/tor_remuneration_committee.pdf**, or by written request to the company secretary.

Committee membership

Current committee members	Committee member since
Tim Scoble – committee chairman	14 September 2011 (chair from 1 July 2013)
Owen O'Donnell	15 January 2010
Shaa Wasmund	1 July 2013
Former committee members who served during the year under review	
John Warren	Retired 17 October 2013

Biographical details of the current members of the committee are set out on pages 48 and 49. The Group company secretary acts as secretary to the committee. The committee met on eight occasions during the year and attendance details are shown in the table on page 52.

Committee activity during the year

Matters discussed by the committee during the year included the following:

- institutional shareholder feedback on executive long-term incentive award;
- remuneration packages for non-executive chairman, chief executive and other new members of the executive committee;
- 2014 fixed pay review;
- 2012/13 and 2013/14 annual bonus payments;
- 2010 LTIP – vesting of 2011 three-year award;
- 2013/14 and 2014/15 annual bonus plan structure and targets;
- consideration of new BIS remuneration regulations;
- annual review of remuneration policy and practices; and
- review and approval of the Policy Report and the Annual Remuneration Report.

DIRECTORS' REMUNERATION REPORT CONTINUED

Shareholder vote on 2012/13 directors' remuneration report

The table below shows the voting outcome for the 2012/13 directors' remuneration report at the 2013 annual general meeting, both including and excluding the Company's majority shareholder:

	'For' and 'Discretionary'		'Against'		Total		
	No. of votes	% of votes cast	No. of votes	% of votes cast	No. of votes cast	% of total shareholders eligible to vote	No. of votes 'Withheld'[1]
Including majority shareholder	307,282,267	86.39%	48,413,998	13.61%	355,696,265	91.04%	42,078
Excluding majority shareholder	37,876,839	43.89%	48,413,998	56.11%	86,290,837	71.15%	42,078

1 A vote 'withheld' is not a vote in law.

Advisers to the committee

The committee has access to external information and research on market data and trends from independent consultants. After a tender process Towers Watson were appointed as external remuneration advisers to the committee. They have been sole advisers to the committee since January 2007. Towers Watson is a member of the Remuneration Consultants' Group, the body which oversees the code of conduct in relation to executive remuneration consulting in the United Kingdom.

The current and former chief executives, the company secretary and the human resources director provided assistance to the committee during the year. They attended meetings of the committee, although none of them was involved in any decisions relating to his or her own remuneration.

Towers Watson attended two out of the committee's seven meetings during the year. During the year, the committee requested Towers Watson to advise on matters including remuneration of the combined role of the chairman and chief executive and the roles of the finance director and other executive committee members. Towers Watson also provided the TSR performance graph for the directors' remuneration report. Towers Watson was paid fees totalling £38,884 for services provided to the committee during the year (fees are based on hours spent). Towers Watson did not provide any other services to the Group during the period under review. The committee remains satisfied that Towers Watson's advice was objective and independent and that Towers Watson's provision of other services in no way compromises its independence.

Committee evaluation

The committee's performance during the period under review was assessed via confidential questionnaires with committee members and other individuals who support its work. Results were then reviewed by the committee chairman and discussed with the board. The board agreed that the committee continued to perform effectively.

Implementation of policy in 2014/15

For the following financial year it is not anticipated that the Policy outlined on pages 65 to 70 will change and therefore the committee will manage pay decisions within the set Policy.

Salaries will be reviewed with any changes effective 1 January 2015. The executive directors will participate in the annual bonus plan as per the Policy. It is the view of the committee that the absolute targets, as well as the targets governing individuals' allocations, are commercially sensitive. The profit growth targets and actual performance will be disclosed in next year's report as they have been this year.

As reported on page 64, the committee is mindful of the concerns of shareholders with regard to the use of 'block' awards as long-term incentives for management. The committee is considering whether or not a further 'block' award should be made or whether it should revert to the more usual practice of annual awards. It is anticipated that the committee will engage with its largest shareholders on this subject towards the end of the calendar year 2014.

We believe that our policy continues to be aligned with our strategic goal of creating long-term sustainable value for shareholders. We welcome shareholder feedback on issues related to executive remuneration.

Tim Scoble, Chairman of the remuneration committee
13 August 2014

OTHER DISCLOSURES

The Companies Act 2006, the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (the "2008 Regulations"), the Companies (Disclosure of Auditor Remuneration and Liability Limitation Agreements) Regulations 2008, the Financial Reporting Council's UK Corporate Governance Code (September 2012) (the "Code"), the Financial Conduct Authority's (the "FCA") Listing Rules and the Financial Conduct Authority's Disclosure Rules and Transparency Rules ("DTR") contain mandatory disclosure requirements in relation to this annual report in respect of the year ended 30 June 2014.

Directors

The directors who served during the period under review are:

Name	Position	Effective date of change
Ian Burke	Non-executive chairman	With effect from 6 May 2014
	Chairman & chief executive	Until 6 May 2014
Henry Birch	Chief executive	Appointed 6 May 2014
Colin Child[1]	Non-executive director	Resigned 18 March 2014
Clive Jennings	Finance director	
Lord Kilmorey	Non-executive director	
Owen O'Donnell	Non-executive director	
Tim Scoble	Non-executive director	
John Warren	Non-executive director	Resigned 17 October 2013
Shaa Wasmund	Non-executive director	

1 Mr Child was appointed senior independent director with effect from 1 July 2013 and resigned on 18 March 2014.

Share capital

The Company's authorised share capital as at 30 June 2014 was £180m, divided into 1,296,000,000 ordinary shares of $13^{8}/_{9}$p each. The ordinary shares are listed on the London Stock Exchange and can be held in certificated or uncertificated form.

There were 390,683,521 shares in issue at the period end (390,683,521 as at 30 June 2013), which were held by 11,320 registered shareholders (11,552 as at 30 June 2013).

Significant shareholders

Majority shareholder

Hong Leong Company (Malaysia) Berhad ("Hong Leong"), the ultimate parent company of Guoco Group Limited ("Guoco"), has a controlling interest in Rank consequent upon the general offer made by its Hong Kong listed subsidiary company, Guoco, via its wholly-owned subsidiary, Rank Assets Limited (then known as All Global Investments Limited).

Hong Leong Group is a leading conglomerate based in Malaysia with diversified businesses in banking and financial services, manufacturing and distribution, property development and investments and hospitality and leisure. Further information on the Hong Leong group of companies can be found at **www.hongleong.com**.

Guoco is an investment holding company. The principal activities of its subsidiaries and associated companies include investment, property development, financial services and hospitality and leisure. Further information on the Guoco group of companies can be found at **www.guoco.com**.

Interests of 3% or more

The table on page 80 shows interests of 3% or more of the total voting rights attached to ordinary shares that have been notified to the Company in accordance with the FCA's DTRs. Due to the fact that the DTRs only require notification where the percentage voting rights reach, exceed or fall below 3% and each 1% threshold above 3%, there is a difference between disclosures made pursuant to the DTRs and those disclosed on our website at **www.rank.com/investors/major_shareholders.jsp** which are based on responses to s.793 Companies Act 2006 ("CA 2006") notices issued by the Company. For ease of reference, we have included below voting rights in respect of both DTRs disclosures and s.793 CA 2006 responses up to and including 31 July 2014.

Distribution of registered shareholders as at 30 June 2014

Range	Total No. of registered shareholders	% of holders	Total No. of shares	% of issued share capital
1 – 1,000	9,493	83.86%	1,902,420	0.49%
1,001 – 5,000	1,420	12.54%	2,962,340	0.76%
5,001 – 10,000	164	1.45%	1,150,688	0.29%
10,001 – 100,000	178	1.57%	5,177,074	1.32%
100,001 – 1,000,000	44	0.39%	12,023,479	3.08%
1,000,001 and above	21	0.19%	367,467,520	94.06%
Totals	**11,320**	**100.00%**	**390,683,521**	**100.00%**

OTHER DISCLOSURES CONTINUED

Date last notified under DTR	Shareholder	As per FCA DTRs disclosures		As per s.793 CA 2006 enquiry responses as at 30 Jun 2014		As per s.793 CA 2006 enquiry responses as at 31 Jul 2014	
		% held	Voting rights	% held	Voting rights	% held	Voting rights
9 Sep 2013	Hong Leong Co. (Malaysia) Berhad	68.88%	269,120,221	68.88%	269,120,221	68.88%	269,120,221
9 Mar 2012	Prudential plc and subsidiary companies	5.85%	22,878,293	6.75%	26,384,675	6.75%	26,384,675
–	Fidelity Worldwide Investment	–	–	4.35%	16,982,526	4.53%	17,705,539
28 Mar 2012	Ameriprise Financial, Inc. and its group companies (Threadneedle Retail Funds – Linked Strategies)	5.03%	19,640,833	4.17%	16,295,634	4.17%	16,295,634

Under Listing Rule 6.1.19R, shares held by persons who have an interest in 5% or more of a listed company's share capital are not regarded as being held in public hands (the "free float"). Under this rule, the shares held by Hong Leong and Prudential plc and subsidiary companies ("Prudential") may not be regarded as being in public hands, with the result that the number of Rank's shares distributed to the public is below the 25% threshold set out in Listing Rule 6.1.19R. Under Listing Rule 6.1.20A, the FCA may modify Listing Rule 6.1.19R to accept a percentage below 25% if it considers that the market will operate properly with a lower percentage. Under Listing Rule 5.2.1R, the FCA has the power to cancel the listing of securities if it is satisfied that there are special circumstances that preclude normal regular dealings in them. On 3 July 2013 Guoco announced that it had declared a special interim dividend in specie of approximately 88.84 million Rank shares representing 22.74% of Rank (the "Distribution"). That Distribution reduced the overall interest of Hong Leong from 74.5% to 68.9%. However, due to the fact that Prudential's shares are not regarded as being in public hands, the free float remains below the 25% threshold. The Company has made a formal submission to the FCA requesting it to modify LR 6.1.19 R, so it can continue to be a premium listed company with a slightly lower free float percentage than 25%.

Directors' interests in shares

Please see page 76 of the directors' remuneration report for details of the directors' interests in shares.

Rights and restrictions attaching to shares

Voting rights

Each ordinary share carries the right to one vote at general meetings of the Company.

Meeting rights

Registered holders of ordinary shares are entitled to attend and speak at general meetings and to appoint proxies.

Information rights

Holders of ordinary shares are entitled to receive the Company's annual report and financial statements.

Share transfer restrictions

There are no specific restrictions on the transfer of shares contained in the Company's articles of association.

The Company is not aware of any agreements between the holders of Rank shares that may result in restrictions on the transfer of shares or that may result in restrictions on voting rights.

Variation of rights

Subject to applicable legislation, the rights attached to Rank's ordinary shares may be varied with the written consent of the holders of at least three-quarters in nominal value of those shares, or by a special resolution passed at a general meeting of the ordinary shareholders.

Directors' powers in relation to shares

Allotment and issue of shares

Subject to the provisions of the CA 2006, and subject to any resolution passed by the Company pursuant to the CA 2006 and other shareholder rights, shares in Rank may be issued with such rights and restrictions as the Company may by ordinary resolution decide. If there is no such resolution or so far as the Company does not make specific provision, they may be issued as Rank's board of directors may decide. Subject to the Company's articles of association, the CA 2006 and other shareholder rights, unissued shares are at the disposal of the board.

The Company currently has no shareholder authority to allot and grant rights over any proportion of the Company's unissued share capital, nor does it have shareholders' authority to allot and grant rights over ordinary shares without first making a pro rata offer to all existing ordinary shareholders. Neither of these authorities is required for the purpose of allotting shares pursuant to employee share schemes. Since the board has no present intention of allotting shares for any other reason, these shareholder authorities will not be sought at the forthcoming annual general meeting.

Market purchases of own shares

The Company currently has no shareholder authority to make market purchases of its own shares and it has no present intention of making any such purchases. Therefore the Company does not intend to seek such authority at the forthcoming annual general meeting.

Directors' other powers

Subject to legislation, the directors may exercise all the powers permitted by the Company's memorandum and articles of association. A copy of these can be obtained by writing to the company secretary, or from Companies House.

The articles contain provisions to empower the directors on certain specific matters, including:

- appointment of directors, subject to subsequent shareholder approval;
- delegation of powers to a director, secretary or committee of one or more persons;
- the Company's powers to borrow money; and
- the ability of a director to vote on matters in which he has an interest.

Changes to the Company's articles of association can only be made by a resolution passed by a majority of no less than 75% of shareholders.

Change of control

Our principal term loan and credit facility agreements contain provisions that, on a change of control of Rank, immediate repayment can be demanded of all advances and any accrued interest.

The provisions of the Company's share schemes and incentive plans may cause options and awards granted to employees to vest in the event of a takeover.

A change of control may also affect licences to operate, as specified in the provisions of the Gambling Act 2005 and the Alderney eGambling Regulations 2009 (as amended) and the Belgian Games of Chance Act 1999 (as amended).

Political donations

We made no political donations during the period under review.

It has been Rank's long-standing practice not to make cash payments to political parties and the board intends that this will remain the case. However, the Companies Act 2006 is very broadly drafted and could catch activities such as funding seminars and other functions to which politicians are invited, supporting certain bodies involved in policy review and law reform and matching employees' donations to certain charities. Accordingly, as in previous years, the directors will be seeking shareholders' authority for political donations and political expenditure at the forthcoming annual general meeting in case any of Rank's activities are inadvertently caught by the legislation.

Dividend

Please see the chairman's statement on page 9 for details of the final dividend being recommended.

Going concern

The going concern statement can be found in the financial review on page 40.

Employees with disabilities

Please see the operating responsibly section of our strategic report on page 36 for the disclosure required by Part 3 of Schedule 7 to the 2008 Regulations relating to the employment of disabled persons.

Greenhouse gas emissions

Please see the operating responsibly section of our strategic report on page 37 for the disclosure required by Part 7 of Schedule 7 to the 2008 Regulations relating to greenhouse gas emissions.

By order of the board

Frances Bingham, Company Secretary
13 August 2014

JUN '14

CONTINUING THE ENTERTAINMENT EXPERIENCE

We've seen a lot of change in the business this year. From launching a new live casino to our refurbishments at Leicester, Liverpool and St Giles Casino in London. In the next year, we will be continuing to improve the entertainment experiences we offer our customers.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Annual report and financial statements

The directors are responsible for preparing the annual report (including the directors' report, the strategic report, the directors' remuneration report and the corporate governance statement) and the financial statements of the Group and the Company, in accordance with applicable United Kingdom law and regulations. Company law requires the directors to prepare Group and Company financial statements for each financial year. Under that law, the directors are required to prepare Group financial statements under IFRSs as adopted by the European Union. As permitted by the Companies Act 2006, the directors have elected to prepare the Company financial statements under IFRSs as adopted by the European Union. Under company law the directors must not approve the Group and Company financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. In preparing the Group and Company financial statements, the directors are required to:

- present fairly the financial position, financial performance and cash flows of the Group and Company;
- select suitable accounting policies in accordance with IAS 8: *Accounting Policies, Changes in Accounting Estimates and Errors* and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- make judgements that are reasonable;
- provide additional disclosures when compliance with the specific requirements in IFRSs as adopted by the European Union is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group and Company's financial position and financial performance; and
- state whether the financial statements have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements.

The directors confirm that they have complied with all of the above.

Accounting records

The directors must keep proper accounting records that disclose with reasonable accuracy, at any time, the financial position of the Company and the Group and ensure that the Group financial statements comply with the Companies Act 2006 and, for the Group financial statements, Article 4 of the International Accounting Standard (IAS) Regulation.

Safeguarding assets

The directors are also accountable for safeguarding the assets of the Company and the Group and, therefore, for taking reasonable steps to prevent and detect fraud and other irregularities.

Corporate website

The maintenance and integrity of Rank's corporate website, on which this annual report and financial statements are published, is the board's responsibility. We would draw attention to the fact that legislation in the UK on the preparation and publication of financial statements may differ from that in other jurisdictions.

Directors' responsibilities' statement

The annual report and financial statements are the responsibility of, and have been approved by, the directors.

Each of the directors named on pages 48 and 49 confirms that to the best of their knowledge:

- the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy;
- the financial statements, prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Company and the undertakings included in the consolidation taken as a whole; and
- the strategic report includes a review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the risks and uncertainties that they face.

By order of the board

Henry Birch,
Chief Executive
13 August 2014

Clive Jennings,
Finance Director
13 August 2014

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE RANK GROUP PLC

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 30 June 2014 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

What we have audited

We have audited the financial statements of The Rank Group Plc for the year ended 30 June 2014 which comprise the Group income statement, the Group statement of comprehensive income, the Group and Company balance sheets, the Group and Company statements of changes in equity, the Group and Company statements of cash flow, and the related notes 1 to 33. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the directors' responsibilities' statement set out on page 84, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report and accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Our assessment of risk of material misstatement

We identified the following risks that have the greatest impact on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team:

- inaccuracy of revenue reported from casino and bingo venues;
- inaccuracy of revenue reported from casino and bingo digital channels;
- identification and assessment of impairment of intangible and tangible assets and goodwill and investments;
- incorrect provisions made in relation to property leases; and
- inaccurate provisions made in relation to direct and indirect tax risk exposures and claims/reclaims in relation to continuing and discontinuing businesses.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements on our audit and on the financial statements. For the purposes of determining whether the financial statements are free from material misstatement we define materiality as the magnitude of misstatement that makes it probable that the economic decisions of a reasonably knowledgeable person, relying on the financial statements, would be changed or influenced. We also determine a level of performance materiality which we use to determine the extent of testing needed to reduce, to an appropriately low level, the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE RANK GROUP PLC CONTINUED

When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole. We determined planning materiality for the Group to be £3.2m, which is 5% of adjusted profit before tax for the year ended 30 June 2014. We used adjusted profit before tax to exclude those items classified as exceptional items within the financial statements.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement is that overall performance materiality (i.e. our tolerance for misstatement in an individual account or balance) for the Group should be 50% of planning materiality, namely £1.6m. Our objective in adopting this approach is to ensure that total detected and undetected audit differences do not exceed our planning materiality of £3.2m for the financial statements as whole. This provided a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures.

We agreed with the audit committee that we would report to the committee all audit differences in excess of £0.1m, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

We used a risk-based approach for determining our audit strategy, ensuring that our audit teams performed consistent procedures and focused on addressing the risks that are relevant to the business. This approach focused our audit effort towards higher risk areas, such as significant management judgements, and on locations that were considered material based upon size, complexity and risk.

Our assessment of audit risk, our evaluation of materiality and our allocation of that materiality determined our audit scope.

The factors that we considered when assessing the scope of the Group audit and the level of work to be performed at each location included the following: the financial significance and specific risks of the location, the effectiveness of the control environment and monitoring activities, including Group-wide controls and recent internal audit findings.

Our Group audit scope focused on two locations, of which one was subject to a full scope audit, whilst the remaining location was subject to specific audit testing based on our judgement of risk and materiality. These locations represent the principal business units within the Group's six reportable segments and accounted for 91% of the Group's adjusted profit before tax.

The Senior Statutory Auditor oversaw all planning at the full scope location including discussion of the potential for material fraud and error, reviewed key working papers, participated in the planning and execution of the responses to the risks, and attended the audit closing meetings.

For the remaining locations, we performed other procedures to confirm there were no significant risks of material misstatement in the Group financial statements. The Senior Statutory Auditor attended the audit closing meeting for the specific scope location by conference call.

Our response to the risks of material misstatement identified above included the following procedures:

Inaccuracy of revenue reported from casino and bingo venues
- we updated our understanding of the revenue processes and tested key management controls for recognition and measurement of revenue, both at a site level and head office level;
- we verified the recognition and measurement of revenue by re-performing cash counts throughout the year at a sample of casino and bingo venues; and
- we performed substantive analytical review procedures, which included comparing actual results against forecasted win rates and substantiating deviations from expectations. In addition we performed journal testing specifically focusing on revenue accounts.

Inaccuracy of revenue from casino and bingo digital channels
- we updated our understanding of the revenue processes and controls and tested key management manual and IT controls for recognition and measurement of revenue;
- we verified the recognition and measurement of revenue by tracing a sample of transactions throughout the year to source data to verify the accuracy of reported revenue; and
- we performed substantive analytical review procedures, which included comparing actual results against forecasted win rates and substantiating deviations from expectations. In addition, we performed journal testing specifically focusing on revenue accounts.

Identification and assessment of impairment of intangible and tangible assets, goodwill and investments

- we updated our understanding of management's annual impairment testing process, including the controls that management has in place to validate assumptions in relation to impairment;
- we ensured that the methodology of the impairment exercise continues to comply with the requirements of IFRS as adopted by the European Union, including evaluating management's assessment of indicators of impairment and their assessment of what the Group considers a cash generating unit (CGU) to be compared to other existing industry practice;
- we challenged the forecasts underlying the impairment review and agreed to budgets approved by the board, reviewing these against actual performance and historic accuracy of forecasting;
- we agreed other key assumptions such as discount rates to supporting evidence and corroborated these to industry averages/trends with the assistance of EY internal experts; and
- we challenged the individual CGU projections with appropriate finance and commercial personnel.

Inaccurate provisions made in relation to property leases

- we updated our understanding of management's processes and controls for identifying and calculating property lease provisions;
- we checked underlying calculations and agreed key inputs to supporting evidence including lease agreements and, for trading properties, corroborated management's assumptions to underlying audit work performed; and
- we challenged management's assumptions, through discussions with the finance team and the property management responsible for the management of the Group's estate.

Inaccurate provisions made in relation to direct and indirect tax risk exposures in relation to continuing and discontinuing businesses

- we understood the latest position in all material open direct and indirect tax matters including any conclusions reached during the year, with the assistance of EY internal experts;
- we read all material correspondence with HMRC and other tax authorities in the period for entities in scope for tax to form our view on the appropriate tax treatment of judgemental items;
- we tested the calculations of all current and deferred tax assets and liabilities to support the valuation, presentation and appropriateness of all direct tax balances at year end; and
- we concluded on the appropriateness of the indirect tax balances, presentation and disclosures.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- is otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the audit committee which we consider should have been disclosed.

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 40, in relation to going concern; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review.

Iain Wilkie
for and on behalf of Ernst & Young LLP,
Statutory Auditor, London
13 August 2014

GROUP INCOME STATEMENT

for the year ended 30 June 2014

	Note	Year ended 30 June 2014 Before exceptional items £m	Year ended 30 June 2014 Exceptional items (note 4) £m	Year ended 30 June 2014 Total £m	Year ended 30 June 2013 Before exceptional items £m	Year ended 30 June 2013 Exceptional items (note 4) £m	Year ended 30 June 2013 Total £m
Continuing operations							
Revenue before adjustment for free bets, promotions and customer bonuses	2	707.7	–	707.7	625.0	–	625.0
Free bets, promotions and customer bonuses	2	(29.2)	–	(29.2)	(28.8)	–	(28.8)
Revenue	2	**678.5**	**–**	**678.5**	596.2	–	596.2
Cost of sales		**(380.0)**	**–**	**(380.0)**	(329.6)	–	(329.6)
Gross profit		**298.5**	**–**	**298.5**	266.6	–	266.6
Other operating costs		**(226.1)**	**(46.5)**	**(272.6)**	(196.7)	(17.7)	(214.4)
Group operating profit (loss)	2,3	**72.4**	**(46.5)**	**25.9**	69.9	(17.7)	52.2
Financing:							
– finance costs		**(10.1)**	**(4.3)**	**(14.4)**	(5.2)	(4.2)	(9.4)
– finance income		**0.1**	**1.8**	**1.9**	0.2	–	0.2
– other financial gains (losses)		**1.0**	**–**	**1.0**	(0.3)	–	(0.3)
Total net financing charge	6	**(9.0)**	**(2.5)**	**(11.5)**	(5.3)	(4.2)	(9.5)
Profit (loss) before taxation		**63.4**	**(49.0)**	**14.4**	64.6	(21.9)	42.7
Taxation	7	**(10.6)**	**13.6**	**3.0**	(16.5)	2.7	(13.8)
Profit (loss) for the year from continuing operations		**52.8**	**(35.4)**	**17.4**	48.1	(19.2)	28.9
Discontinued operations – profit (loss)	4,5	**–**	**2.8**	**2.8**	(5.6)	3.7	(1.9)
Profit (loss) for the year		**52.8**	**(32.6)**	**20.2**	42.5	(15.5)	27.0
Attributable to:							
Equity holders of the parent		**52.8**	**(32.6)**	**20.2**	42.5	(15.5)	27.0
Earnings (loss) per share attributable to equity shareholders							
– basic	10	**13.5p**	**(8.3)p**	**5.2p**	10.9p	(4.0)p	6.9p
– diluted	10	**13.5p**	**(8.3)p**	**5.2p**	10.9p	(4.0)p	6.9p
Earnings (loss) per share – continuing operations							
– basic	10	**13.5p**	**(9.0)p**	**4.5p**	12.3p	(4.9)p	7.4p
– diluted	10	**13.5p**	**(9.0)p**	**4.5p**	12.3p	(4.9)p	7.4p
Earnings (loss) per share – discontinued operations							
– basic	10	**–**	**0.7p**	**0.7p**	(1.4)p	0.9p	(0.5)p
– diluted	10	**–**	**0.7p**	**0.7p**	(1.4)p	0.9p	(0.5)p

Details of dividends paid and payable to equity shareholders are disclosed in note 9.

GROUP STATEMENT OF COMPREHENSIVE INCOME
for the year ended 30 June 2014

	Note	Year ended 30 June 2014 £m	Year ended 30 June 2013 £m
Comprehensive income:			
Profit for the year		**20.2**	27.0
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange adjustments net of tax		**(2.4)**	2.7
Items that will not be reclassified to profit or loss:			
Actuarial (loss) gain on retirement benefits net of tax	29	**(0.3)**	0.2
Total comprehensive income for the year		**17.5**	29.9
Attributable to:			
Equity holders of the parent		**17.5**	29.9

The tax effect of items of comprehensive income is disclosed in note 7.

BALANCE SHEETS

at 30 June 2014

	Note	Group As at 30 June 2014 £m	Group As at 30 June 2013 (restated)[1] £m	Company As at 30 June 2014 £m	Company As at 30 June 2013 £m
Assets					
Non-current assets					
Intangible assets	11	**390.2**	389.2	**–**	–
Property, plant and equipment	12	**217.5**	231.1	**–**	–
Investments in subsidiaries	14	**–**	–	**1,185.1**	1,185.4
Deferred tax assets	21	**2.5**	2.6	**–**	0.2
Other receivables	16	**3.1**	2.9	**–**	–
		613.3	625.8	**1,185.1**	1,185.6
Current assets					
Inventories	15	**3.1**	3.3	**–**	–
Other receivables	16	**31.1**	32.1	**44.2**	42.9
Income tax receivable	18	**6.6**	6.3	**–**	–
Cash and short-term deposits	26	**47.1**	65.0	**0.2**	0.2
		87.9	106.7	**44.4**	43.1
Assets held for sale	12	**–**	0.3	**–**	–
Total assets		**701.2**	732.8	**1,229.5**	1,228.7
Liabilities					
Current liabilities					
Trade and other payables	17	**(113.2)**	(124.8)	**(1.4)**	(1.6)
Income tax payable	18	**(40.3)**	(42.2)	**–**	–
Financial liabilities					
– financial guarantees	19	**–**	–	**(2.7)**	(3.4)
– loans and borrowings	19	**(4.4)**	(7.4)	**(829.8)**	(795.0)
Provisions	22	**(10.5)**	(19.5)	**–**	–
		(168.4)	(193.9)	**(833.9)**	(800.0)
Net current liabilities		**(80.5)**	(87.2)	**(789.5)**	(756.9)
Non-current liabilities					
Trade and other payables	17	**(40.5)**	(43.8)	**–**	–
Income tax payable	18	**–**	(21.7)	**–**	–
Financial liabilities					
– loans and borrowings	19	**(179.5)**	(161.1)	**–**	–
Deferred tax liabilities	21	**(18.1)**	(18.5)	**–**	–
Provisions	22	**(49.0)**	(48.8)	**–**	–
Retirement benefit obligations	29	**(3.4)**	(3.1)	**–**	–
		(290.5)	(297.0)	**–**	–
Total liabilities		**(458.9)**	(490.9)	**(833.9)**	(800.0)
Net assets		**242.3**	241.9	**395.6**	428.7
Capital and reserves attributable to the Company's equity shareholders					
Share capital	23	**54.2**	54.2	**54.2**	54.2
Share premium		**98.4**	98.4	**98.4**	98.4
Capital redemption reserve		**33.4**	33.4	**33.4**	33.4
Exchange translation reserve		**13.7**	16.1	**–**	–
Retained earnings		**42.6**	39.8	**209.6**	242.7
Total shareholders' equity		**242.3**	241.9	**395.6**	428.7

1 The prior year comparative has been restated for the adjustments to the provisional amounts recognised on the acquisition of Gala Casino 1 Limited (now Grosvenor Casinos (GC) Limited). Further details are provided in notes 1 and 25.

These financial statements were approved by the board on 13 August 2014 and signed on its behalf by:

Henry Birch, Chief Executive **Clive Jennings**, Finance Director

STATEMENTS OF CHANGES IN EQUITY
for the year ended 30 June 2014

Group	Share capital £m	Share premium £m	Capital redemption reserve £m	Exchange translation reserve £m	Retained earnings (losses) £m	Total £m
At 1 July 2012	54.2	98.3	33.4	13.4	28.7	228.0
Comprehensive income:						
Profit for the year	–	–	–	–	27.0	27.0
Other comprehensive income:						
Exchange adjustments net of tax	–	–	–	2.7	–	2.7
Actuarial gain on retirement benefits net of tax	–	–	–	–	0.2	0.2
Total comprehensive income for the year	–	–	–	2.7	27.2	29.9
Transactions with owners:						
Shares issued	–	0.1	–	–	–	0.1
Dividends paid to equity holders (see note 9)	–	–	–	–	(14.7)	(14.7)
Refund of unclaimed dividends (see note 9)	–	–	–	–	0.1	0.1
Debit in respect of employee share schemes including tax	–	–	–	–	(1.5)	(1.5)
At 30 June 2013	54.2	98.4	33.4	16.1	39.8	241.9
Comprehensive income:						
Profit for the year	**–**	**–**	**–**	**–**	**20.2**	**20.2**
Other comprehensive income:						
Exchange adjustments net of tax	**–**	**–**	**–**	**(2.4)**	**–**	**(2.4)**
Actuarial loss on retirement benefits net of tax	**–**	**–**	**–**	**–**	**(0.3)**	**(0.3)**
Total comprehensive (expense) income for the year	**–**	**–**	**–**	**(2.4)**	**19.9**	**17.5**
Transactions with owners:						
Dividends paid to equity holders (see note 9)	**–**	**–**	**–**	**–**	**(16.4)**	**(16.4)**
Debit in respect of employee share schemes including tax	**–**	**–**	**–**	**–**	**(0.7)**	**(0.7)**
At 30 June 2014	**54.2**	**98.4**	**33.4**	**13.7**	**42.6**	**242.3**

There were no non-controlling interests in either year.

Company	Share capital £m	Share premium £m	Capital redemption reserve £m	Retained earnings (losses) £m	Total £m
At 1 July 2012	54.2	98.3	33.4	286.0	471.9
Loss and total comprehensive expense for the year	–	–	–	(27.2)	(27.2)
Transactions with owners:					
Shares issued	–	0.1	–	–	0.1
Dividends paid to equity holders (see note 9)	–	–	–	(14.7)	(14.7)
Refund of unclaimed dividends (see note 9)	–	–	–	0.1	0.1
Debit in respect of employee share schemes including tax	–	–	–	(1.5)	(1.5)
At 30 June 2013	54.2	98.4	33.4	242.7	428.7
Loss and total comprehensive expense for the year	**–**	**–**	**–**	**(16.0)**	**(16.0)**
Transactions with owners:					
Dividends paid to equity holders (see note 9)	**–**	**–**	**–**	**(16.4)**	**(16.4)**
Debit in respect of employee share schemes including tax	**–**	**–**	**–**	**(0.7)**	**(0.7)**
At 30 June 2014	**54.2**	**98.4**	**33.4**	**209.6**	**395.6**

STATEMENTS OF CASH FLOW

for the year ended 30 June 2014

	Note	Group		Company	
		Year ended 30 June 2014 £m	Year ended 30 June 2013 (restated)[1] £m	**Year ended 30 June 2014 £m**	Year ended 30 June 2013 £m
Cash flows from operating activities					
Cash generated from (utilised in) operations	24	**61.6**	103.7	**(0.2)**	(0.2)
Interest received		**0.1**	0.2	**–**	–
Interest paid		**(8.2)**	(2.7)	**–**	–
Tax paid		**(19.1)**	(8.5)	**–**	–
Discontinued operations	5	**(6.6)**	(8.0)	**–**	–
Net cash from (used in) operating activities		**27.8**	84.7	**(0.2)**	(0.2)
Cash flows from investing activities					
Acquisition of subsidiary including deferred consideration (net of cash acquired)	25	**1.1**	(178.6)	**–**	–
Purchase of intangible assets		**(13.5)**	(6.2)	**–**	–
Purchase of property, plant and equipment		**(30.8)**	(32.0)	**–**	–
Proceeds from sale of property, plant and equipment		**0.3**	0.1	**–**	–
Proceeds from sale of assets held for sale		**–**	1.9	**–**	–
Disposal of business	5	**–**	2.4	**–**	–
Discontinued operations	5	**–**	(1.1)	**–**	–
Net cash used in investing activities		**(42.9)**	(213.5)	**–**	–
Cash flows from financing activities					
Dividends paid to equity holders		**(16.4)**	(14.7)	**(16.4)**	(14.7)
Refund of unclaimed dividends		**–**	0.1	**–**	0.1
Proceeds from issue of shares		**–**	0.1	**–**	0.1
Drawdown on revolving credit facilities		**20.0**	–	**–**	–
Proceeds from new term loans (net of fees)		**–**	138.2	**–**	–
Finance lease principal payments		**(3.2)**	(3.2)	**–**	–
Amounts received from subsidiaries		**–**	–	**16.6**	14.8
Net cash from financing activities		**0.4**	120.5	**0.2**	0.3
Net (decrease) increase in cash, cash equivalents and bank overdrafts		**(14.7)**	(8.3)	**–**	0.1
Effect of exchange rate changes		**(0.6)**	0.3	**–**	–
Cash and cash equivalents at start of year		**61.6**	69.6	**0.2**	0.1
Cash and cash equivalents at end of year	26	**46.3**	61.6	**0.2**	0.2

1 The prior year comparative has been restated for the adjustments to the provisional amounts recognised on the acquisition of Gala Casino 1 Limited (now Grosvenor Casinos (GC) Limited). Further details are provided in notes 1 and 25.

1 GENERAL INFORMATION AND ACCOUNTING POLICIES

General information

The Rank Group Plc ('the Company') and its subsidiaries (together 'the Group') operate gaming and betting services in Great Britain (including the Channel Islands), Spain and Belgium.

The Company is a public limited company which is listed on the London Stock Exchange and is incorporated and domiciled in England and Wales under registration number 03140769. The address of its registered office is Statesman House, Stafferton Way, Maidenhead, Berkshire, SL6 1AY.

In accordance with IFRS3 'Business Combinations', the prior year comparatives for the Group balance sheet and Group cash flow statement have been restated for the adjustments to the provisional amounts recognised on the acquisition of Gala Casino 1 Limited (now Grosvenor Casinos (GC) Limited). There is no impact on the income statement reported in the prior year. The amounts disclosed in the prior year were provisional due to the proximity of the acquisition to the Group's year end and the completion account process outlined by the sale and purchase agreement extending beyond the finalisation of the prior year financial statements. Further details are provided in note 25.

On 2 April 2013, the Group sold the assets and trademarks of its Blue Square Bet business. In accordance with IFRS5 'Non-Current Assets Held for Sale and Discontinued Operations' the results of Blue Square Bet have been classified as discontinued in the prior period.

Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated and Company financial statements are set out below. These policies have been consistently applied to all periods presented.

1.1 Basis of preparation

The consolidated and Company financial statements have been prepared under the historical cost convention.

1.1.1 Statement of compliance

The consolidated and Company financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') and IFRIC Interpretations as adopted by the European Union, and the Companies Act 2006 applicable to companies reporting under IFRS.

1.1.2 Going concern

In adopting the going concern basis for preparing the consolidated and Company financial statements, the directors have considered the issues impacting the Group during the period as detailed in the strategic report on pages 4 to 45 and have reviewed the Group's projected compliance with its banking covenants detailed in the finance review on page 41. Based on the Group's cash flow forecasts and operating budgets, and assuming that trading does not deteriorate considerably from these projected levels, the directors believe that the Group will generate sufficient cash to meet its borrowing requirements for at least 12 months from the date of approval of the financial statements and comply with its banking covenants.

1.1.3 Accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The resulting accounting estimates will, by definition, seldom equal the actual results. The areas involving a higher degree of judgement or complexity, where assumptions and estimates are significant to the consolidated financial statements, are set out below.

(a) Estimated impairment of goodwill, intangible assets and property, plant and equipment

The Group tests annually whether assets that have an indefinite useful life, including goodwill and gaming licences, have suffered any impairment. The Group also reviews assets that are subject to amortisation or depreciation for events or changes in circumstances that indicate the carrying amount of the asset may not be recoverable. Further details of the Group's accounting policy in relation to impairment are disclosed in note 1.13.

The application of the policy requires the use of accounting estimates and judgements in determining the recoverable amount of cash-generating units to which the intangible assets and property, plant and equipment are associated. The recoverable amount is the higher of the fair value less costs to sell and value in use. Estimates of fair value less costs to sell are performed internally by experienced senior management supported by knowledge of similar transactions and advice from external estate agents or, if applicable, offers received. Value in use is calculated using estimated cash flow projections from financial budgets, discounted by selecting an appropriate rate for each cash-generating unit. Further details of the assumptions and estimates are disclosed in note 13.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

1 GENERAL INFORMATION AND ACCOUNTING POLICIES (CONTINUED)

(b) Classification of casino and other gaming licences as intangible assets with an indefinite life
As disclosed in note 1.12, certain casino and other gaming licences have been classified as intangible assets with an indefinite life. This assumption is based on management's belief that there is no foreseeable limit to the period over which the licences are expected to generate net cash inflows and that each licence holds a value outside the property in which it resides. As a consequence, each licence is reviewed annually for impairment.

(c) Recoverability of deferred tax assets
Deferred tax assets are recognised to the extent that it is probable future taxable profit will be available against which the temporary differences can be utilised. The key area of judgement is therefore an assessment of whether it is probable that there will be suitable taxable profits against which any deferred tax assets can be utilised. Further details of deferred tax assets recognised are disclosed in note 21.

(d) Income taxes
The Group is subject to income taxes in numerous jurisdictions, including jurisdictions of now discontinued operations. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final outcome of these matters is different from the amount recognised, such differences will impact the financial statements in the period such determination is made. Further details of income tax are disclosed in note 18.

(e) Provisions
Provisions are recognised in accordance with the policy disclosed in note 1.10. In calculating property lease provisions, estimates are made of the discounted cash flows associated with the property and its associated operations including sub-let income together with estimates of any dilapidation obligations. Estimates have been made in determining the amount and timing of disposal provisions, including legacy industrial disease and personal injury claims. Estimates have also been made in determining the amount and likelihood of settlement of indirect tax provisions and restructuring provisions. Further details of provisions made are disclosed in note 22.

(f) Contingent assets and liabilities
Management is required to apply judgement in assessing the probability of the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. This judgement is supported by external advice and precedent case law where appropriate and is continually assessed to ensure that developments are appropriately reflected in the financial statements. Further details of contingent liabilities are disclosed in note 31.

(g) Acquisition
The Group made an acquisition in the prior year. Establishing the fair value of the acquired assets and liabilities, notably the valuation of the casino licences and property contracts, required a number of estimates and judgements to be made. The main judgements made in valuing the casino licences include using estimated cash flow projections, discounted by selecting an appropriate rate. The main judgement used in valuing property contracts is the estimation of the open market rent at the date of acquisition for each property. Open market rent was determined by a third party firm of property valuation experts. See note 25 for further details.

1.1.4 Changes in accounting policy and disclosures

(a) Standards, amendments to and interpretations of existing standards adopted by the Group
The following new standards and amendments to existing standards are mandatory for the first time for the financial period beginning 1 July 2013:

- IFRS1 First-time Adoption of International Reporting Standards – Government Loans
- IFRS7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendment)
- IFRS13 Fair Value Measurement
- IAS19 Employee Benefits (Revised)

The Group has not been materially impacted by the adoption of any of these standards or amendments.

The Group has not early adopted any other standard, amendment or interpretation that was issued but is not yet effective.

(b) Standards, amendments to and interpretations of existing standards that are not yet effective
The following standards, amendments to and interpretations of existing standards have been published and are mandatory for accounting periods starting after 1 July 2013:

- IFRS10 Consolidated Financial Statements – Effective 1 January 2014
- IFRS11 Joint Arrangements – Effective 1 January 2014
- IFRS12 Disclosure of Interests in Other Entities – Effective 1 January 2014
- IAS27 Separate Financial Statements (Revised) – Effective 1 January 2014
- IAS28 Investments in Associates and Joint Ventures (Revised) – Effective 1 January 2014
- IAS32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities (Amendment) – Effective 1 January 2014
- IAS36 Recoverable Amount Disclosures for Non-Financial Assets – Effective 1 January 2014
- IAS39 Novation of Derivatives and Continuation of Hedge Accounting (Amendment) – Effective 1 January 2014
- IFRIC21 Levies – Effective 1 January 2014

It is not anticipated that the adoption of the above standards, amendments and interpretations will have a material impact on the Group or Company financial statements in the period of initial application.

1.2 Consolidation

Subsidiaries are entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. All subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies as applied to subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The Group has no material associates or joint ventures.

1.3 Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. Acquisition costs incurred are expensed and included in administrative expenses within exceptional items.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Goodwill is initially measured at cost, being the excess of the aggregate of the acquisition date fair value of the consideration transferred over the fair value of the net identifiable amounts of the assets acquired and the liabilities assumed in exchange for the business combination. Identifiable intangible assets are recognised separately from goodwill.

If the aggregate of the acquisition date fair value of the consideration transferred is lower than the fair value of the assets, liabilities and contingent liabilities in the business acquired, the difference is recognised in profit and loss.

1.4 Revenue recognition

Revenue consists of the fair value of sales of goods and services net of VAT, rebates and discounts.

(a) Gaming win

Revenue for casinos includes the gaming win before deduction of gaming related duties. Revenue for bingo is net of prizes before deduction of gaming related duties. Revenue for digital products, including interactive games and sports betting (discontinued in prior year), represents gaming win. The fair value of free bets, promotions and customer bonuses are also deducted from all revenue streams.

Although disclosed as revenue, gaming win is accounted for and meets the definition of a gain under IAS39 Financial Instruments: Recognition and Measurement.

(b) Food and beverage

Revenue from food and beverage sales is recognised at the point of sale.

1.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the management team (the composition of which is disclosed on page 50) that makes strategic and operational decisions.

1.6 Foreign currency translation

The consolidated financial statements are presented in UK Sterling, which is also the Company's functional currency. Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency').

(a) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement in finance costs or income.

(b) Group companies

The results and financial position of all the Group companies (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

1 GENERAL INFORMATION AND ACCOUNTING POLICIES (CONTINUED)

(i) assets and liabilities for each balance sheet presented are translated at the closing rate on the balance sheet date. The closing euro rate against UK Sterling was 1.25 (30 June 2013: 1.17) and the closing US Dollar rate against UK Sterling was 1.70 (30 June 2013: 1.53);

(ii) income and expenses for each income statement are translated at average exchange rates unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rates prevailing on the dates of the transactions. The average euro rate against UK Sterling was 1.20 (year ended 30 June 2013: 1.21) and the average US Dollar rate against UK Sterling in the year was 1.64 (year ended 30 June 2013: 1.57); and

(iii) all resulting exchange differences are recognised as a separate component of equity.

When a foreign operation is sold, such exchange differences are recognised in the income statement, net of hedging, as part of the gain or loss on sale. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

1.7 Financial assets

Financial assets within the scope of IAS39 are classified as financial assets at fair value through profit or loss, loans and receivables, held to maturity investments, available for sale financial assets or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition.

A financial asset is derecognised when the rights to receive the cash flows from the asset have expired, been transferred or an obligation to pay the cash flows received to a third party without material delay has been assumed, and either:

- substantially all the risks and rewards of ownership have been transferred; or
- substantially all the risks and rewards have neither been retained nor transferred, but control has been transferred.

The Group's financial assets include loans and receivables and cash and cash equivalents.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, when the asset is expected to be realised in the normal operating cycle, otherwise they are classified as non-current assets. Loans and receivables are classified as other receivables in the balance sheet.

Other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

(b) Cash and cash equivalents

Cash and short-term deposits in the balance sheet include cash at banks and in hand and short-term deposits with an original maturity of three months or less.

For the purpose of the cash flow statement, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts. Bank overdrafts are shown within loans and borrowings in current liabilities on the balance sheet.

1.8 Financial liabilities

Financial liabilities within the scope of IAS39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

The Group's financial liabilities include trade and other payables, loans and borrowings (including bank overdrafts), and financial guarantee contracts. Financial liabilities also include onerous contracts, a policy for which is included in note 1.10.

(a) Trade and other payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(b) Loans and borrowings

After initial recognition at fair value, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate method. The effective interest rate method amortisation is included in finance costs in the income statement.

(c) Financial guarantee contracts (Company only)

Financial guarantee contracts issued by the Company are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are initially measured at fair value by applying the estimated probability of default to the cash outflow should default occur and subsequently amortising over the expected length of the guarantee.

1.9 Leases

Leases are tested at inception to determine whether the lease is a finance or operating lease and treated accordingly. For leases entered into prior to 1 January 2005, inception is deemed to be 1 January 2005 in accordance with the transitional requirements of IFRIC4. Property leases comprising a lease of land and a lease of buildings within a single contract are split into their two component parts before testing.

(a) Finance leases

Leases of property, plant and equipment which transfer substantially all the risks and rewards of ownership to the Group are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property, plant and equipment or the present value of minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant periodic rate of interest on the remaining balance of the liability for each period. The corresponding rental obligations, net of finance charges, are included in loans and borrowings. Finance charges are recognised in the income statement. Property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset or the lease term.

(b) Operating leases

Leases of property, plant and equipment which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases. Operating lease payments (including any lease incentives or premiums) are recognised as an expense in the income statement on a straight line basis over the lease term.

1.10 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events if it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are measured at the best estimate of the expenditures required to settle the obligation. If the effect of the time value of money is material, provisions are discounted using a pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

1.11 Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and impairment. Such cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation is calculated on assets using the straight line method to allocate their cost less residual values over their estimated useful lives, as follows:

• freehold and leasehold property	50 years or lease term if less
• refurbishment of property	5 to 20 years
• fixtures, fittings, plant and machinery	3 to 20 years

Land is not depreciated.

Residual values and useful lives are reviewed at each balance sheet date, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement.

Pre-opening costs are expensed to the income statement as incurred.

1.12 Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and carried at amortised cost as at 1 January 2004 plus cost for any acquisition completed after 1 January 2004 less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold, except where goodwill has been previously written off directly to reserves under previous GAAP.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

1 GENERAL INFORMATION AND ACCOUNTING POLICIES (CONTINUED)

Goodwill is allocated to the relevant cash-generating unit or group of cash-generating units for the purpose of impairment testing. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

(b) Casino and other gaming licences and concessions

The Group capitalises acquired casino and other gaming licences and concessions. Management believes that licences, with the exception of the two casino concessions in Belgium, have indefinite lives as there is no foreseeable limit to the period over which the licences are expected to generate net cash inflows and each licence holds a value outside the property in which it resides. Each licence is reviewed annually for impairment.

In respect of the two casino concessions in Belgium, their carrying value is amortised over the expected useful life of the concessions.

Any costs in renewing licences or concessions are expensed as incurred.

(c) Other

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on a straight line basis over their estimated useful lives (three to five years).

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the production and development of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets for both externally purchased and internally developed software. Direct costs include specific employee costs for software development.

Computer software development costs recognised as assets are amortised over their estimated useful lives (three to five years).

1.13 Impairment of intangible assets and property, plant and equipment

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised as the amount by which an asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash-generating units). The expected cash flows generated by the assets are discounted using appropriate discount rates that reflect the time value of money and risks associated with the groups of assets.

If an impairment loss is recognised, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an exceptional expense in the income statement immediately.

Any impairment is allocated equally across all assets in a cash-generating unit unless there is an indication that a class of assets should be impaired in the first instance or a fair market value exists for one or more assets. Once an asset has been written down to its fair value less costs to sell then any remaining impairment is allocated equally amongst all other assets.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years.

A reversal of an impairment loss is recognised within exceptional items in the income statement immediately.

1.14 Employee benefit costs

(a) Pension obligations

The Group operates a defined contribution plan under which the Group pays fixed contributions to a separate entity. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

The Group also has an unfunded pension commitment relating to three former executives of the Group. The amount recognised in the balance sheet in respect of the commitment is the present value of the obligation at the balance sheet date, together with adjustment for actuarial gains or losses. The Group recognises actuarial gains and losses immediately in the statement of comprehensive income. The net cost arising on the commitment is recognised in net finance costs.

(b) Share-based compensation
The cost of equity-settled transactions with employees for awards granted after 7 November 2002 is measured by reference to the fair value at the date on which they are granted. The fair value is determined by using an appropriate pricing model, further details of which are given in note 28.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The income statement charge or credit for a period represents the movement in cumulative charge recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled transaction award are modified, the minimum expense recognised is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. All cancellations of equity-settled transaction awards are treated equally.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

The cost of cash-settled transactions is measured at fair value with the recognition of a corresponding liability. The liability is re-measured to fair value at each reporting date up to and including the settlement date.

When an award is modified from an equity-settled to a cash-settled basis, the total expense recognised comprises the total of the grant date fair value that would have been recognised under the original equity-settled basis, any incremental fair value arising from the modification of the award and any re-measurement of the liability between its fair value at the modification date and the amount finally settled. If the amount of the liability recognised on modification is higher than the amount previously recognised as an increase in equity then the increase in the liability is recognised as a debit to equity.

(c) Share-based compensation – Company
The Company operates share-based payment schemes for employees of the Company and its subsidiaries. The fair value of shares awarded to employees of the Company are recognised as an employee expense with a corresponding increase in equity. The Company also makes awards of its own shares to employees of its subsidiaries and as such recognises an increase in the cost of investment in its subsidiaries equivalent to the equity-settled share-based payment charge recognised in its subsidiaries' financial statements, with the corresponding credit being recognised directly in equity.

When an award is modified from an equity-settled to a cash-settled basis, the Company retains the obligation to settle such awards. Consequently, on the recognition of a liability by the parent, the corresponding debit is recognised directly in equity. In the event that subsidiaries of the Company settle the obligation on the parent company's behalf, such a payment is treated as a distribution to the parent.

(d) Bonus plans
The Group recognises a liability in respect of the best estimate of bonuses payable where contractually obliged to do so or where a past practice has created a constructive obligation.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

1 GENERAL INFORMATION AND ACCOUNTING POLICIES (CONTINUED)

1.15 Inventories

Inventories are valued at the lower of cost and net realisable value. Cost of inventory is determined on a 'first-in first-out' basis.

The cost of finished goods comprises goods purchased for resale.

Net realisable value is the estimated selling price in the ordinary course of business. When necessary, provision is made for obsolete and slow-moving inventories.

1.16 Taxation

(a) Current tax

Current tax assets and liabilities for the current and prior periods are measured as the amount expected to be paid or to be recovered from the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, by the reporting date.

Current tax relating to items recognised directly in equity is recognised in equity and not the income statement.

Management evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation at each reporting date and establishes provisions where appropriate.

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if deferred tax arises from the initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current taxation assets against current taxation liabilities and it is the intention to settle these on a net basis.

Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(c) Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

1.17 Share capital

Ordinary shares are classified as equity.

1.18 Discontinued operations and held for sale assets

Operations of the Group are recognised as discontinued operations if the operations have been disposed of or meet the criteria to be classified as held for sale and represent a separate major line of business or geographic area of operations. Operations held for sale are held at the lower of their carrying amount on the dates they are classified as held for sale and fair value less costs to sell.

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

1.19 Dividends

Dividends proposed by the board of directors and unpaid at the period end are not recognised in the financial statements until they have been approved by shareholders at the annual general meeting. Interim dividends are recognised when paid.

1.20 Exceptional items

The Group defines exceptional items as those items which, by their size or nature in relation to either the Group or individual segments, are separately disclosed in order to give a full understanding of the Group's financial performance and aid comparability of the Group's result between periods.

2 SEGMENTAL REPORTING

(a) Segment information – operating segments

	Year ended 30 June 2014							
	Grosvenor Casinos		Mecca		Enracha			
	Venues £m	Digital £m	Venues £m	Digital £m	Venues £m	Digital £m	Central costs £m	Total £m
Continuing operations								
Group revenue reported in internal information	377.7	13.5	229.3	58.9	28.3	–	–	707.7
Free bets, promotions and customer bonuses	(3.7)	(3.1)	(12.5)	(9.9)	–	–	–	(29.2)
Segment revenue	374.0	10.4	216.8	49.0	28.3	–	–	678.5
Operating profit (loss) before exceptional items	57.7	(0.9)	21.1	15.9	1.2	(0.4)	(22.2)	72.4
Exceptional loss	(12.5)	–	(25.3)	–	(8.7)	–	–	(46.5)
Segment result	45.2	(0.9)	(4.2)	15.9	(7.5)	(0.4)	(22.2)	25.9
Finance costs								(14.4)
Finance income								1.9
Other financial gains								1.0
Profit before taxation								14.4
Taxation								3.0
Profit for the year from continuing operations								17.4
Other segment items – continuing operations								
Capital expenditure	(34.1)	(1.4)	(6.3)	(1.9)	(1.3)	–	(1.6)	(46.6)
Depreciation and amortisation	22.1	2.0	13.8	2.4	2.1	–	1.2	43.6
Impairment charges	5.3	–	1.1	–	7.5	–	–	13.9
Impairment reversals	(0.8)	–	(0.7)	–	–	–	–	(1.5)
Net charge to provision for property leases	3.6	–	2.1	–	0.9	–	–	6.6
Net charge to provision for indirect taxation	3.7	–	22.4	–	–	–	–	26.1

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

2 SEGMENTAL REPORTING (CONTINUED)

	Year ended 30 June 2013							
	Grosvenor Casinos		Mecca		Enracha			
	Venues £m	Digital £m	Venues £m	Digital £m	Venues £m	Digital £m	Central costs £m	Total £m
Continuing operations								
Group revenue reported in internal information	290.5	9.8	234.9	61.3	28.5	–	–	625.0
Free bets, promotions and customer bonuses	(3.7)	(2.2)	(14.2)	(8.7)	–	–	–	(28.8)
Segment revenue	286.8	7.6	220.7	52.6	28.5	–	–	596.2
Operating profit (loss) before exceptional items	49.5	(2.1)	23.0	21.1	1.6	(0.9)	(22.3)	69.9
Exceptional (loss) profit	(15.0)	–	(2.0)	–	0.3	–	(1.0)	(17.7)
Segment result	34.5	(2.1)	21.0	21.1	1.9	(0.9)	(23.3)	52.2
Finance costs								(9.4)
Finance income								0.2
Other financial losses								(0.3)
Profit before taxation								42.7
Taxation								(13.8)
Profit for the year from continuing operations								28.9
Other segment items – continuing operations								
Capital expenditure	(21.1)	(0.4)	(9.1)	(0.8)	(1.4)	–	(6.2)	(39.0)
Depreciation and amortisation	17.7	1.5	14.6	1.5	2.4	–	1.2	38.9
Impairment charges	3.7	–	1.6	–	4.1	–	–	9.4
Impairment reversals	(3.6)	–	(0.7)	–	(4.4)	–	–	(8.7)
Net charge to provision for property leases	0.1	–	1.1	–	–	–	0.3	1.5
Net charge to provision for indirect taxation	6.4	–	–	–	–	–	–	6.4

The Group reports segmental information on a brand-led basis, which is consistent with the means by which the chief operating decision maker utilises internal reporting within the business. This brand-led structure better enables management to reflect the needs of our customers throughout the various activities of the business. These activities are both venues-based and digital-based casino operations in Grosvenor Casinos, plus venues-based and digital-based bingo operations both in Mecca and in its Spanish bingo brand Enracha. Further information about each brand is disclosed on pages 31 (Grosvenor Casinos), 33 (Mecca) and 34 (Enracha).

Assets and liabilities have not been segmented as this information is not provided to the chief operating decision maker on a regular basis.

Capital expenditure comprises expenditure on property, plant and equipment and other intangible assets, including those acquired under finance leases.

(b) Geographical information

The Group operates in two main geographical areas (UK and continental Europe).

(i) Revenue from external customers by geographical area based on location of customer

	Year ended 30 June 2014 £m	Year ended 30 June 2013 £m
UK	636.1	552.9
Continental Europe	42.4	43.3
Total revenue	**678.5**	596.2

(ii) Non-current assets by geographical area based on location of assets

	As at 30 June 2014 £m	As at 30 June 2013 (restated) £m
UK	577.8	580.1
Continental Europe	30.3	40.9
Segment non-current assets	608.1	621.0
Unallocated assets:		
Deferred tax assets	2.5	2.6
Financial assets	2.7	2.2
Total non-current assets	**613.3**	625.8

With the exception of the UK, no individual country contributed more than 10% of consolidated sales or assets.

(c) Total revenue and profit from continuing and discontinued operations

		Revenue		Profit (loss)	
	Note	Year ended 30 June 2014 £m	Year ended 30 June 2013 £m	Year ended 30 June 2014 £m	Year ended 30 June 2013 £m
From continuing operations		678.5	596.2	17.4	28.9
From discontinued operations	5	–	9.5	2.8	(1.9)
		678.5	605.7	20.2	27.0

(d) Total cost analysis by segment

To increase transparency, the Group has decided to include an additional disclosure analysing total costs by type and segment. A reconciliation of total costs, before exceptional items, by type and segment is as follows:

	Year ended 30 June 2014							
	Grosvenor Casinos		Mecca		Enracha			
	Venues £m	Digital £m	Venues £m	Digital £m	Venues £m	Digital £m	Central costs £m	Total £m
Employment and related costs	137.7	2.0	55.2	6.5	13.4	0.2	15.2	230.2
Taxes and duties	78.1	–	48.1	0.4	2.1	–	2.0	130.7
Direct costs	15.6	3.9	21.0	14.5	2.5	0.1	–	57.6
Property costs	29.9	0.2	27.6	0.7	2.5	–	0.9	61.8
Marketing	13.2	2.6	10.4	7.0	0.9	–	–	34.1
Depreciation and amortisation	22.1	2.0	13.8	2.4	2.1	–	1.2	43.6
Other	19.7	0.6	19.6	1.6	3.6	0.1	2.9	48.1
Total costs on continuing operations before exceptional items	316.3	11.3	195.7	33.1	27.1	0.4	22.2	606.1
Cost of sales								380.0
Operating costs								226.1
Total costs on continuing operations before exceptional items								606.1

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

2 SEGMENTAL REPORTING (CONTINUED)

	Year ended 30 June 2013							
	Grosvenor Casinos		Mecca		Enracha			
	Venues £m	Digital £m	Venues £m	Digital £m	Venues £m	Digital £m	Central costs £m	Total £m
Employment and related costs	103.9	2.1	59.3	3.4	13.8	0.2	15.6	198.3
Taxes and duties	63.8	0.3	43.0	1.5	1.9	–	1.6	112.1
Direct costs	10.6	3.3	22.6	14.0	2.8	0.6	–	53.9
Property costs	19.8	0.3	27.0	0.6	2.0	–	0.9	50.6
Marketing	8.9	2.0	11.0	10.0	0.8	–	0.3	33.0
Depreciation and amortisation	17.7	1.5	14.6	1.5	2.4	–	1.2	38.9
Other	12.6	0.2	20.2	0.5	3.2	0.1	2.7	39.5
Total costs on continuing operations before exceptional items	237.3	9.7	197.7	31.5	26.9	0.9	22.3	526.3
Cost of sales								329.6
Operating costs								196.7
Total costs on continuing operations before exceptional items								526.3

3 PROFIT FOR THE YEAR – ANALYSIS BY NATURE

The following items have been charged (credited) in arriving at the profit for the year before financing and taxation from continuing operations:

	Year ended 30 June 2014 £m	Year ended 30 June 2013 £m
Employee benefit expense	**208.2**	181.9
Cost of inventories recognised as expense	**33.1**	24.3
Amortisation of intangibles (including £0.9m (year ended 30 June 2013: £1.4m) within cost of sales)	**6.4**	4.5
Depreciation of property, plant and equipment		
– owned assets (including £32.4m (year ended 30 June 2013: £29.7m) within cost of sales)	**34.1**	31.3
– under finance leases (included within cost of sales)	**3.1**	3.1
Operating lease rentals payable		
– minimum lease payments	**50.3**	43.5
– sub-lease income	**(5.2)**	(4.0)
Loss on sale of property, plant and equipment	**0.3**	0.7
Exceptional operating costs (see note 4)	**46.5**	17.7
Auditors' remuneration for audit services	**0.4**	0.4

In the year, the Group's auditors, Ernst & Young LLP, including its network firms, earned the following fees:

	Year ended 30 June 2014 £m	Year ended 30 June 2013 £m
Audit services		
– Fees payable to the Company's auditor for the parent company and consolidated financial statements	**0.2**	0.2
Other services		
Fees payable to the Company's auditor and its associates for other services:		
– the audit of the Company's subsidiaries pursuant to legislation	**0.2**	0.2
– tax services	**0.2**	0.2
– transaction support services	**0.1**	0.1
	0.7	0.7

£25,000 (year ended 30 June 2013: £23,000) of the audit fees related to the parent company.

It is the Group's policy to balance the need to maintain auditor independence with the benefit of taking advice from the leading firm in the area concerned and the desirability of being efficient.

4 EXCEPTIONAL ITEMS

	Note	Year ended 30 June 2014 £m	Year ended 30 June 2013 £m
Exceptional items relating to continuing operations			
Impairment charges	11,12,13	**(12.9)**	(9.4)
Impairment reversals	11,12,13	**1.5**	8.7
Net charge to provisions for property leases	22	**(6.6)**	(1.5)
Acquisition and integration costs		**(1.7)**	(8.5)
Restructuring costs		**(0.7)**	–
Net charge to provision for indirect taxation	22	**(26.1)**	(6.4)
Charge to accruals for indirect taxation		**–**	(0.6)
Exceptional operating costs		**(46.5)**	(17.7)
Finance costs	6	**(4.3)**	(4.2)
Finance income	6	**1.8**	–
Taxation	7	**13.6**	2.7
Exceptional items relating to continuing operations		**(35.4)**	(19.2)
Exceptional items relating to discontinued operations			
Charge to provision for indirect taxation		**–**	(5.8)
Disposal of Blue Square Bet and related costs		**–**	(2.0)
Finance costs	6	**(0.3)**	(0.6)
Finance income	6	**0.3**	1.2
Taxation	7	**2.8**	10.9
Exceptional items relating to discontinued operations		**2.8**	3.7
Total exceptional items		**(32.6)**	(15.5)

Year ended 30 June 2014 exceptional items
Continuing operations
Impairment charges

The Group recognised an impairment charge of £5.4m in the UK of which £4.3m relates to Grosvenor Casinos venues and £1.1m to Mecca venues. The only individually significant charges are £4.1m in respect of a single club in Grosvenor Casinos venues and £0.7m in respect of a single club in Mecca venues. Performance at these clubs has not been in line with expectations.

A further impairment charge of £7.5m has been recognised in respect of three clubs in the Enracha venues business which have not performed in line with expectations. This has followed a prolonged period of difficult economic conditions in Spain.

A further impairment charge of £1.0m is included within integration costs relating to essential post-acquisition capital expenditure, including signage, at a small number of casinos that were fully impaired as part of the acquisition accounting.

Impairment reversals

The Group has reversed previous impairment charges of £0.7m in the UK, all of which relates to Mecca venues. The reversal is in respect of two clubs where changes in the competitive and commercial environment have led to improvements in performance.

A further reversal of £0.8m has been made in respect of a casino in Belgium, which has shown continuing improved performance above expectations.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

4 EXCEPTIONAL ITEMS (CONTINUED)

Net charge to provisions for property leases

The Group has recognised a net charge of £6.6m in relation to provisions for property leases in the year. This includes a charge of £6.8m in two Grosvenor Casinos venues and three Mecca venues for unavoidable dilapidation costs and where expected income no longer exceeds the unavoidable costs associated with these sites. A further charge of £1.6m has been made in respect of property lease costs directly attributable to the restructuring activities outlined below.

A release to the income statement of £1.8m has been recognised in respect of two Mecca venues where anticipated performance, following the reduction in bingo duty, means that expected income will exceed the unavoidable costs associated with these sites.

Acquisition and integration costs

In the prior year the Group acquired 19 casinos and 3 non-operating licences from Gala Coral Group Limited (see note 25). The Group has expensed the resulting costs of integration during the year of £1.7m.

The integration was successfully completed during the year and no further integration costs are expected.

Restructuring costs

During the year the Group recognised an exceptional cost of £0.7m relating to the closure of one Mecca venue and one Enracha venue and the provision for the further cost associated with the closure of two further Mecca venues and exit of one Enracha venue in early 2014/15. Included within the charge to provisions for property leases is a further charge of £1.6m connected with remaining property lease obligations at these venues.

Net charge to provision for indirect taxation

In the prior year the Group disclosed a contingent liability in respect of a claim for repayment of output VAT on amusement machines. In May 2010, the Group received £30.7m (VAT of £26.4m plus interest of £4.3m) in respect of the claim, which has been the subject of ongoing litigation. During the year, the Court of Appeal found in favour of HMRC and consequently an amount of £26.4m was provided to cover the expected outflow, together with associated interest of £4.3m. In May 2014 a payment was made to HMRC in respect of these claims, with the remaining balance being the directors' best estimate of the outflow likely to arise. The Group has been granted leave to appeal to the Supreme Court, and it therefore remains possible that the Group will not ultimately be liable for these amounts. This appeal will be held in April 2015.

The Group also released £0.3m following the settlement in the year of the indirect taxation balances provided for in the prior year.

Year ended 30 June 2013 exceptional items
Continuing operations

Impairment charges

The Group recognised an impairment charge of £3.4m in the UK of which £1.8m related to Grosvenor Casinos venues and £1.6m to Mecca venues. The only individually significant charges in Grosvenor Casinos venues were £1.1m in respect of a non-operating licence, to reflect local market conditions, and £0.5m in respect of an E-casino which had not performed in line with expectations. The only individually significant charge in Mecca venues was £0.6m in respect of a club which had not performed in line with expectations.

A further impairment charge of £1.9m was recognised in respect of a casino in Belgium and £4.1m in respect of two clubs in the Enracha venues business which had not performed in line with expectations.

Impairment reversals

The Group reversed previous impairment charges of £1.9m in the UK, of which £1.2m related to Grosvenor Casinos venues and £0.7m related to Mecca venues. The reversal in Grosvenor Casinos was in respect of two casinos where changes in the competitive environment led to improvements in performance. The reversal in Mecca venues was in respect of three clubs which saw a sustained improvement in performance and an uplift in the freehold value of a further property.

A further reversal of £2.4m was made in respect of a casino in Belgium, which had shown improved performance following agreement of a third party digital licence agreement. The Enracha venues business had an impairment reversal of £4.4m following better than expected recovery from the effects of the smoking ban at two venues.

Property leases
The Group recognised a charge of £1.5m in relation to provisions for property leases. A charge of £1.1m was made in respect of one Mecca lease where the unavoidable costs exceeded the expected income. The remaining charge of £0.4m was in respect of leases where there had been a change in expected sub-let income as a consequence of the financial position of associated tenants.

Acquisition and integration costs
During the prior year the Group acquired 19 casinos and 3 non-operating licences from Gala Coral Group Limited (see note 25). The Group expensed the costs of the acquisition and resulting integration incurred during the prior year of £8.5m. Further details are provided in the table below:

	Year ended 30 June 2013 £m
Acquisition costs	7.4
Loss on disposal of Edinburgh non-operating casino licence	0.4
Integration costs	0.7
Total	8.5

The disposal of the Edinburgh non-operating licence was required in order to obtain Competition Commission clearance for the acquisition.

Acquisition costs represented professional fees incurred, including the costs of dealing with the Office of Fair Trading and the Competition Commission.

Indirect taxation
The Group recognised a provision of £6.4m and an accrual of £0.6m in relation to a historic indirect taxation issue.

Discontinued exceptional items
Indirect taxation
The Group recognised a provision of £5.8m in relation to a historic indirect taxation issue in the Blue Square Bet business.

Disposal of Blue Square Bet and related costs
On 2 April 2013, the Group agreed terms to sell the assets and trademarks of its loss-making Blue Square Bet business for consideration of £5.0m. The Blue Square Bet business operated solely in the digital channel of the highly competitive sports betting market.

The table below provides further details of the net exceptional loss of £2.0m recognised in respect of the disposal and related costs:

	Year ended 30 June 2013 £m
Proceeds received	5.0
Impairment of assets	(3.6)
Redundancy and restructuring costs	(2.5)
Onerous contracts	(0.9)
Exceptional loss	(2.0)

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

5 DISCONTINUED OPERATIONS

In the prior year the Group disposed of its loss-making Blue Square Bet business. In accordance with IFRS5 'Non-Current Assets Held for Sale and Discontinued Operations', the results of the Blue Square Bet business were classified as discontinued. No results were attributable to Blue Square Bet in the current year, although the Group continued to discharge legacy liabilities relating to the business.

Discontinued operations, other than those disclosed within exceptional items (see note 4), related to the disposal of the loss making Blue Square Bet business. A breakdown of results of this operation is shown below:

	Year ended 30 June 2014 £m	Year ended 30 June 2013 £m
Revenue	–	9.5
Operating loss	–	(7.4)
Taxation	–	1.8
Loss after taxation	–	(5.6)
Other information:		
Depreciation and amortisation	–	(1.4)
Capital expenditure	–	(1.1)

Cash flows relating to discontinued operations are as follows:

	Year ended 30 June 2014 £m	Year ended 30 June 2013 £m
Operating loss	–	(7.4)
Depreciation and amortisation	–	1.4
Interest paid	**(0.2)**	–
Cash payments in respect of exceptional items	**(6.4)**	(2.0)
Cash flows from operating activities	**(6.6)**	(8.0)
Cash flows from investing activities	–	(1.1)
Cash flows from financing activities	–	–
	(6.6)	(9.1)

The disposal of the Blue Square Bet business has given rise to the following cash flow reported in investing activities:

	Year ended 30 June 2014 £m	Year ended 30 June 2013 £m
Gross cash consideration received	–	5.0
Payment to purchaser for customer account balances disposed	–	(2.6)
Disposal of business	–	2.4

6 FINANCING

	Year ended 30 June 2014 £m	Year ended 30 June 2013 £m
Continuing operations:		
Finance costs:		
Interest on debt and borrowings[1]	**(6.4)**	(1.9)
Amortisation of issue costs on borrowings[1]	**(1.5)**	(1.1)
Interest payable on finance leases	**(1.0)**	(0.9)
Unwinding of discount in property lease provisions	**(1.1)**	(1.1)
Unwinding of discount in disposal provisions	**(0.1)**	(0.2)
Total finance costs	**(10.1)**	(5.2)
Finance income:		
Interest income on short-term bank deposits[1]	**0.1**	0.2
Total finance income	**0.1**	0.2
Other financial gains (losses)	**1.0**	(0.3)
Total net financing charge for continuing operations before exceptional items	**(9.0)**	(5.3)
Exceptional finance costs	**(4.3)**	(4.2)
Exceptional finance income	**1.8**	–
Total net financing charge for continuing operations	**(11.5)**	(9.5)
Discontinued operations:		
Exceptional finance costs	**(0.3)**	(0.6)
Exceptional finance income	**0.3**	1.2
Total net finance income for discontinued operations	**–**	0.6
Total net financing charge	**(11.5)**	(8.9)

1 Calculated using the effective interest method.

Exceptional finance costs recognised in continuing operations in the year of £4.3m (year ended 30 June 2013: £4.2m) are in respect of indirect taxation balances provided for in the current year, and direct and indirect taxation balances provided for in the prior year.

Exceptional finance income recognised in continuing operations in the year of £1.8m (year ended 30 June 2013: £nil) is in respect of the release of interest over-accrued on direct and indirect taxation balances provided for.

Exceptional discontinued finance costs recognised in discontinued operations in the year of £0.3m relate to a decrease in interest receivable in respect of direct taxation receivables that are attributable to disposed entities. Exceptional discontinued finance costs recognised in discontinued operations in the prior year of £0.6m were in respect of indirect taxation balances provided for.

Exceptional finance income recognised in discontinued operations in the year of £0.3m relates to a reduction in interest accrued on indirect taxation provisions now settled. Exceptional finance income in discontinued operations in the prior year of £1.2m was in respect of an expected taxation refund attributable to discontinued activities.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

6 FINANCING (CONTINUED)

A reconciliation of the total net financing charge for continuing operations before exceptional items to adjusted net interest included in adjusted profit is disclosed below:

	Year ended 30 June 2014 £m	Year ended 30 June 2013 £m
Total net financing charge for continuing operations before exceptional items	**(9.0)**	(5.3)
Adjust for:		
Unwinding of discount in disposal provisions	**0.1**	0.2
Other financial (gains) losses – including foreign exchange	**(1.0)**	0.3
Adjusted net interest payable	**(9.9)**	(4.8)

7 TAXATION

	Year ended 30 June 2014			Year ended 30 June 2013		
	Continuing operations £m	**Discontinued operations £m**	**Total £m**	Continuing operations £m	Discontinued operations £m	Total £m
Current income tax						
Current income tax – UK	**(12.4)**	**–**	**(12.4)**	(12.7)	1.8	(10.9)
Current income tax – overseas	**(0.4)**	**–**	**(0.4)**	(0.6)	–	(0.6)
Current income tax (charge) credit	**(12.8)**	**–**	**(12.8)**	(13.3)	1.8	(11.5)
Current income tax on exceptional items	**7.8**	**–**	**7.8**	3.1	0.4	3.5
Amounts over provided in previous period	**5.0**	**2.8**	**7.8**	1.3	–	1.3
Amounts over (under) provided in previous period on exceptional items	**2.3**	**–**	**2.3**	(0.3)	10.7	10.4
Total current income tax credit (charge)	**2.3**	**2.8**	**5.1**	(9.2)	12.9	3.7
Deferred tax						
Deferred tax – UK	**(1.3)**	**–**	**(1.3)**	(3.0)	–	(3.0)
Deferred tax – overseas	**(0.3)**	**–**	**(0.3)**	(0.2)	–	(0.2)
Restatement of deferred tax from 23.0% to 20.0%	**2.6**	**–**	**2.6**	–	–	–
Deferred tax on exceptional items	**3.5**	**–**	**3.5**	(0.1)	–	(0.1)
Amounts under provided in previous period	**(3.8)**	**–**	**(3.8)**	(1.3)	–	(1.3)
Amounts under provided in previous period on exceptional items	**–**	**–**	**–**	–	(0.2)	(0.2)
Total deferred tax credit (charge) (note 21)	**0.7**	**–**	**0.7**	(4.6)	(0.2)	(4.8)
Tax credit (charge) in the income statement	**3.0**	**2.8**	**5.8**	(13.8)	12.7	(1.1)

The tax on the Group's profit before taxation on continuing operations differs from the standard rate of UK corporation tax in the period of 22.5% (year ended 30 June 2013: 23.75%). The differences are explained below:

	Year ended 30 June 2014 £m	Year ended 30 June 2013 £m
Profit before taxation on continuing operations	**14.4**	42.7
Tax charge calculated at 22.5% on profit before taxation on continuing operations (year ended 30 June 2013: 23.75%)	**(3.2)**	(10.1)
Effects of:		
Expenses not deductible for tax purposes	**(0.1)**	(3.1)
Difference in overseas tax rates	**0.6**	–
Restatement of deferred tax from 23.0% to 20.0%	**2.6**	–
Adjustments relating to prior periods	**3.5**	(0.3)
Deferred tax not recognised in period	**(0.4)**	(0.3)
Tax credit (charge) in the income statement on continuing operations	**3.0**	(13.8)

Tax on exceptional items – continuing operations

The taxation impacts of continuing exceptional items are disclosed below:

	Year ended 30 June 2014			Year ended 30 June 2013		
	Current income tax £m	Deferred tax £m	Total £m	Current income tax £m	Deferred tax £m	Total £m
Impairment charges	–	3.1	3.1	–	0.7	0.7
Impairment reversals	–	–	–	–	(0.8)	(0.8)
Net charge to provisions for property leases	0.9	0.4	1.3	0.4	–	0.4
Acquisition and integration costs	0.1	–	0.1	0.5	–	0.5
Restructuring costs	0.1	–	0.1	–	–	–
Net charge to provision for indirect taxation	5.9	–	5.9	1.7	–	1.7
Exceptional finance costs	1.0	–	1.0	0.6	–	0.6
Exceptional finance income	(0.2)	–	(0.2)	–	–	–
Amounts over (under) provided in respect of previous years	2.3	–	2.3	(0.4)	–	(0.4)
Tax credit (charge) on exceptional items – continuing operations	10.1	3.5	13.6	2.8	(0.1)	2.7

Tax on exceptional items – discontinued operations

The taxation impacts of discontinued exceptional items are disclosed below:

	Year ended 30 June 2014			Year ended 30 June 2013		
	Current income tax £m	Deferred tax £m	Total £m	Current income tax £m	Deferred tax £m	Total £m
Tax refunds arising on previously disposed subsidiary undertakings	–	2.8	2.8	6.6	(0.2)	6.4
Provision for indirect taxation	–	–	–	1.6	–	1.6
Disposal of Blue Square Bet and related costs	–	–	–	1.1	–	1.1
Release of provisions relating to overseas tax audits	–	–	–	2.1	–	2.1
Exceptional finance income	–	–	–	(0.3)	–	(0.3)
Tax credit (charge) on exceptional items – discontinued operations	–	2.8	2.8	11.1	(0.2)	10.9

Tax effect of items within other comprehensive income

	Year ended 30 June 2014 £m	Year ended 30 June 2013 £m
Current income tax (charge) credit on exchange movements offset in reserves	(0.2)	0.2
Deferred tax credit on actuarial movement on retirement benefits	0.1	–
Total tax (charge) credit on items within other comprehensive income	(0.1)	0.2

The debit in respect of employee share schemes included within the Statement of Changes in Equity includes a deferred tax charge of £0.3m (year ended 30 June 2013: credit of £0.3m) and a current tax credit of £nil (year ended 30 June 2013: £0.2m).

Factors affecting future taxation

UK corporation tax is calculated at 22.5% (year ended 30 June 2013: 23.75%) of the estimated assessable profit for the period. Taxation for overseas operations is calculated at the local prevailing rates.

On 20 March 2013, the Chancellor of the Exchequer announced the reduction in the main rate of UK corporation tax to 21% with effect from 1 April 2014 and a further 1% reduction to 20% from 1 April 2015. These changes were substantively enacted in July 2013.

8 RESULTS ATTRIBUTABLE TO THE PARENT COMPANY

The Company has elected to take the exemption under section 408 of the Companies Act 2006 not to present the parent company income statement. The loss for the year ended 30 June 2014 for the Company was £16.0m (year ended 30 June 2013: loss of £27.2m).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

9 DIVIDENDS PAID TO EQUITY HOLDERS

	Year ended 30 June 2014 £m	Year ended 30 June 2013 £m
Dividends paid to equity holders		
Final dividend for 2011/12 paid on 31 October 2012 – 2.50p per share	–	9.8
Interim dividend for 2012/13 paid on 22 March 2013 – 1.25p per share	–	4.9
Final dividend for 2012/13 paid on 23 October 2013 – 2.85p per share	11.1	–
Interim dividend for 2013/14 paid on 21 March 2014 – 1.35p per share	5.3	–
Refund of unclaimed dividends	–	(0.1)
	16.4	14.6

A final dividend in respect of the year ended 30 June 2014 of 3.15p per share, amounting to a total dividend of £12.3m, is to be recommended at the annual general meeting on 16 October 2014. These financial statements do not reflect this dividend payable.

10 EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity shareholders by the weighted average number of ordinary shares in issue during the year.

	Year ended 30 June 2014			Year ended 30 June 2013		
	Before exceptional items	Exceptional items	Total	Before exceptional items	Exceptional items	Total
Profit attributable to equity shareholders						
Continuing operations	£52.8m	£(35.4)m	£17.4m	£48.1m	£(19.2)m	£28.9m
Discontinued operations	–	£2.8m	£2.8m	£(5.6)m	£3.7m	£(1.9)m
Total	£52.8m	£(32.6)m	£20.2m	£42.5m	£(15.5)m	£27.0m
Weighted average number of ordinary shares in issue	390.7m	390.7m	390.7m	390.6m	390.6m	390.6m
Basic earnings per share						
Continuing operations	13.5p	(9.0)p	4.5p	12.3p	(4.9)p	7.4p
Discontinued operations	–	0.7p	0.7p	(1.4)p	0.9p	(0.5)p
Total	13.5p	(8.3)p	5.2p	10.9p	(4.0)p	6.9p

(b) Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue to assume conversion of all dilutive potential ordinary shares. The only category of dilutive potential ordinary shares is share options. For share options, a calculation is made to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated is compared with the number of shares that would have been issued assuming exercise of the share options.

There is no difference in the profit used to determine diluted earnings per share from that used to determine basic earnings per share. There is no dilutive impact of share options on the weighted average number of ordinary shares in issue or on earnings per share.

(c) Adjusted earnings per share

Adjusted earnings is calculated by adjusting profit attributable to equity shareholders to exclude discontinued operations, exceptional items, other financial gains or losses, unwinding of the discount in disposal provisions and the related tax effects. Adjusted earnings is one of the business performance measures used internally by management to manage the operations of the business. Management believes that the adjusted earnings measure assists in providing a view of the underlying performance of the business.

Adjusted net earnings attributable to equity shareholders is derived as follows:

	Year ended 30 June 2014 £m	Year ended 30 June 2013 £m
Profit attributable to equity shareholders	**20.2**	27.0
Adjust for:		
Discontinued operations (net of taxation)	**(2.8)**	1.9
Exceptional items after tax on continuing operations	**35.4**	19.2
Other financial (gains) losses	**(1.0)**	0.3
Unwinding of discount in disposal provisions	**0.1**	0.2
Taxation on adjusted items and impact of reduction in tax rate	**(3.3)**	(0.1)
Adjusted net earnings attributable to equity shareholders (£m)	**48.6**	48.5
Adjusted earnings per share (p) – basic	**12.4p**	12.4p
Adjusted earnings per share (p) – diluted	**12.4p**	12.4p

11 INTANGIBLE ASSETS

Group	Goodwill £m	Casino and other gaming licences and concessions £m	Property contracts £m	Other £m	Total £m
Cost					
At 1 July 2012	53.4	120.0	–	49.8	223.2
Exchange adjustments	–	2.7	–	–	2.7
Acquisition of subsidiary (see note 25)	80.9	150.1	3.7	–	234.7
Disposals	–	–	–	(23.4)	(23.4)
Additions	–	0.5	–	6.7	7.2
At 30 June 2013 (restated)	134.3	273.3	3.7	33.1	444.4
Exchange adjustments	**–**	**(2.8)**	**–**	**–**	**(2.8)**
Disposals	**–**	**–**	**–**	**(0.1)**	**(0.1)**
Additions	**–**	**5.8**	**–**	**7.7**	**13.5**
At 30 June 2014	**134.3**	**276.3**	**3.7**	**40.7**	**455.0**
Aggregate amortisation and impairment					
At 1 July 2012	–	31.7	–	37.8	69.5
Exchange adjustments	–	1.8	–	–	1.8
Charge for the year	–	0.8	0.1	4.8	5.7
Disposals	–	–	–	(23.4)	(23.4)
Impairment charges	–	4.9	–	3.5	8.4
Impairment reversals	–	(6.8)	–	–	(6.8)
At 30 June 2013	–	32.4	0.1	22.7	55.2
Exchange adjustments	**–**	**(2.1)**	**–**	**–**	**(2.1)**
Charge for the year	**–**	**0.8**	**0.3**	**5.3**	**6.4**
Impairment charges	**–**	**6.1**	**–**	**–**	**6.1**
Impairment reversals	**–**	**(0.8)**	**–**	**–**	**(0.8)**
At 30 June 2014	**–**	**36.4**	**0.4**	**28.0**	**64.8**
Net book value at 30 June 2012	53.4	88.3	–	12.0	153.7
Net book value at 30 June 2013 (restated)	134.3	240.9	3.6	10.4	389.2
Net book value at 30 June 2014	**134.3**	**239.9**	**3.3**	**12.7**	**390.2**

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

11 INTANGIBLE ASSETS (CONTINUED)

Other intangible assets comprise other licences, computer software and development technology and customer lists. These include internally-generated computer software and development technology with a net book value of £5.0m (30 June 2013: £4.7m).

Property contracts arise as a fair value adjustment in respect of favourable property contracts on the acquisition of the 19 casinos in the prior year.

Indefinite life intangible assets have been reviewed for impairment as set out in note 13. Impairment charges for the year of £6.1m (year ended 30 June 2013: £8.4m) include £6.1m (year ended 30 June 2013: £4.8m) in respect of exceptional items relating to continuing operations and £nil (year ended 30 June 2013: £3.6m) in respect of exceptional items relating to discontinued operations. The exceptional impairment charge relating to discontinued operations in the prior year arose on the disposal of the Blue Square Bet business.

12 PROPERTY, PLANT AND EQUIPMENT

Group	Land and buildings £m	Fixtures, fittings, plant and machinery £m	Total £m
Cost			
At 1 July 2012	131.2	440.0	571.2
Exchange adjustments	0.7	3.2	3.9
Acquisition of subsidiary (see note 25)	7.1	10.8	17.9
Additions	2.1	30.8	32.9
Disposals	(0.5)	(11.1)	(11.6)
Transfer to assets held for sale	(2.2)	–	(2.2)
At 30 June 2013 (restated)	138.4	473.7	612.1
Exchange adjustments	**(0.7)**	**(3.9)**	**(4.6)**
Additions	**3.8**	**29.5**	**33.3**
Disposals	**(3.5)**	**(3.6)**	**(7.1)**
Transfer from assets held for sale	**2.2**	**–**	**2.2**
At 30 June 2014	**140.2**	**495.7**	**635.9**
Accumulated depreciation and impairment			
At 1 July 2012	72.2	281.2	353.4
Exchange adjustments	0.1	2.4	2.5
Charge for the year	3.4	31.3	34.7
Impairment charges	0.4	4.2	4.6
Impairment reversals	(1.3)	(0.6)	(1.9)
Disposals	–	(10.4)	(10.4)
Transfer to assets held for sale	(1.9)	–	(1.9)
At 30 June 2013	72.9	308.1	381.0
Exchange adjustments	**(0.1)**	**(2.5)**	**(2.6)**
Charge for the year	**3.9**	**33.3**	**37.2**
Impairment charges	**1.2**	**6.6**	**7.8**
Impairment reversals	**(0.4)**	**(0.3)**	**(0.7)**
Disposals	**(3.0)**	**(3.2)**	**(6.2)**
Transfer from assets held for sale	**1.9**	**–**	**1.9**
At 30 June 2014	**76.4**	**342.0**	**418.4**
Net book value at 30 June 2012	59.0	158.8	217.8
Net book value at 30 June 2013 (restated)	65.5	165.6	231.1
Net book value at 30 June 2014	**63.8**	**153.7**	**217.5**

Impairment charges for the year of £7.8m (year ended 30 June 2013: £4.6m) are in respect of exceptional items relating to continuing operations. £1.0m of this amount (year ended 30 June 2013: £nil) has been included in integration costs within exceptional items.

Finance leases

The net book value of property, plant and equipment held under finance leases was:

	As at 30 June 2014 £m	As at 30 June 2013 £m
Land and buildings	**6.8**	5.5
Fixtures, fittings, plant and machinery	**3.7**	5.8
Net book value at end of period	**10.5**	11.3

There were £2.3m (year ended 30 June 2013: £0.8m) of additions under finance leases during the year.

Assets under construction

Included in property, plant and equipment are assets in the course of construction of £1.9m (year ended 30 June 2013: £1.9m).

Assets held for sale

	As at 30 June 2014 £m	As at 30 June 2013 £m
Land and buildings	**–**	0.3

The sale of one freehold property in Mecca venues has not completed in the year as expected due to unforeseen planning issues. These issues still remain to be resolved and accordingly the property has been reclassified to property, plant and equipment.

13 IMPAIRMENT REVIEW

The pre-tax discount rate applied to all cash flow projections is 10.0% (30 June 2013: 10.0%). The discount rate calculation is based on the specific circumstances of the Group and its cash generating units (CGU) and is derived from its weighted average cost of capital. Management believes that the discount rate is appropriate for each CGU as they operate in gaming markets with similar risks as set out below. As the Group operates in Great Britain (including the Channel Islands), Spain and Belgium, country risk has been recognised in the cash flow forecasts, rather than adjusting the discount rate.

(a) Impairment review of goodwill and intangible assets with indefinite lives

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. In accordance with IAS36, goodwill is reviewed annually for impairment. In addition, the Group classifies casino licences (with the exception of its concessions in Belgium) and Spanish bingo licences as intangible assets with an indefinite life.

(i) Goodwill

At 30 June 2014, the Group has goodwill with a carrying value of £134.3m (30 June 2013: £134.3m). £80.9m of this goodwill arose on the acquisition of 19 casinos during the prior year, further details of which are provided in note 25.

The remaining £53.4m of goodwill arose on the acquisition of Rank Digital Limited. All of this goodwill is allocated to the Mecca digital CGU for the purposes of impairment testing.

In respect of the Mecca digital CGU, the recoverable amount has been determined based on a value in use calculation using cash flow projections based on the Group's budget for 2014/15, the Group's strategic plan for the following two years and a growth rate of 2.0% (30 June 2013: 2.0%) thereafter. Both the Group's budget and strategic plan have been approved by the board of directors.

The key assumptions in the calculation of value in use are settled stakes, gaming win margins, gaming duty and the discount rate. Settled stakes represent monies placed by customers for interactive games and are estimated taking into account the product mix and industry developments. Gaming win margins are based on values achieved in the past and amended for any anticipated changes in the budget period. Gaming duty is based upon statutory rates enacted at the balance sheet date. The calculation includes the impact of the introduction of remote gaming duty at a rate of 15% on a place of consumption basis from December 2014.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

13 IMPAIRMENT REVIEW (CONTINUED)

As a result of the impairment testing, the directors do not believe that the carrying value of the goodwill was impaired as the value in use exceeded the carrying value of goodwill. The key factors which impact the calculation of the carrying value include:

Key factors	Key assumption impacted
Increased or improved competition	Settled stakes, Gaming win margin
Poor or decreased marketing	Settled stakes
Failure to respond to technological advances	Settled stakes
Deterioration in economic environment	Settled stakes
Changes in regulation	Settled stakes, Gaming win margin
Changes in taxation	Remote gaming duty

Based on these key assumptions and resulting projections, the recoverable amount of the CGU exceeds its carrying amount by in excess of £30.0m. A decrease of approximately 8% in either settled stakes or win margin would be required for the recoverable amount to equal the carrying value of the CGU. A rise in remote gaming duty from 15% to approximately 19% would be required for the recoverable amount to equal the carrying value of the CGU. These calculations assume all other assumptions remain constant and therefore do not reflect any cost saving measures that may be identified should a key assumption be impacted to this magnitude.

In respect of the goodwill which arose on the acquisition of 19 casinos in the prior year, the combined casinos acquired are treated as a single CGU. The recoverable amount has been determined based on a value in use calculation using cash flow projections of the combined casinos from the Group's budget for 2014/15, the Group's strategic plan for the following two years and a growth rate of 2.0% thereafter. Both the Group's budget and strategic plan have been approved by the board of directors.

The key assumptions in the calculation of value in use are customer visits, spend per visit, casino duty, machine games duty and the discount rate. Customer visits are the number of discrete visits by members to casinos and have been based on historic trends. Spend per visit comprises the average amount of money (net of winnings) spent per visit on gaming tables, machines and food and beverages. This has also been determined by historic trends. Casino duty is levied in bands of between 15% and 50% depending upon the level of gaming win at each casino. The bands and rates have been assumed to remain at current levels without indexation. Machine games duty is levied at rates of 5% or 20% depending upon certain criteria.

The table below outlines the possible changes in key assumptions that would cause the carrying value of the individual licences to exceed their recoverable amount. These are:

Key factors	Key assumption impacted
Increased or improved competition	Customer visits
Poor or decreased promotional activity	Customer visits
Failure to respond to technological advances	Customer visits, Spend per visit
Deterioration in economic conditions	Customer visits, Spend per visit
Changes in regulation	Customer visits, Spend per visit
Changes in taxation	Casino duty, Machine games duty

Based on these key assumptions and resulting projections, the recoverable amount of the CGU exceeds its carrying amount by in excess of £89.0m. A decrease of approximately 8% in either customer visits or spend per visit would be required for the recoverable amount to equal the carrying value of the CGU. A rise in gaming related taxes from the current blended rate of 18.0% to 24.5% across the combined casinos would be required for the recoverable amount to equal the carrying value of the CGU. These calculations assume all other assumptions remain constant and therefore do not reflect any cost saving measures that may be identified should a key assumption be impacted to this magnitude.

(ii) Casino licences

The carrying value of indefinite life casino licences as at 30 June 2014 was £231.3m (30 June 2013: £225.4m). £150.1m of this value arose on the acquisition of 19 casinos during the prior year, further details of which are provided in note 25. The remaining £81.2m of this balance (30 June 2013: £75.3m) relates to existing Grosvenor casinos.

The inherent value of a casino licence is deemed to be an intrinsic part of the value of the operation of a casino as a whole and are therefore not split out from each casino in an impairment review. Each Grosvenor casino, including the casinos acquired during the prior year, has been treated as a separate CGU, and tested for impairment on that basis. The recoverable amount of each Grosvenor casino, including the licence, has been determined based on the higher of fair value less costs to sell and value in use. The value in use has been determined using cash flow projections, over the length of the associated lease or 50 years for freehold properties, based on the Group's budget for 2014/15, the Group's strategic plan for the following two years and a growth rate of 2.0% (30 June 2013: 2.0%) thereafter. Both the Group's budget and strategic plan have been approved by the board of directors. Estimates of the fair value less costs to sell are performed internally by experienced senior management supported by knowledge of similar transactions or, where applicable, offers received.

The key assumptions in the calculation of value in use are customer visits, spend per visit, casino duty, machine games duty and the discount rate. Customer visits are the number of discrete visits by members to the casino and have been based on historic trends. Spend per visit comprises the average amount of money (net of winnings) spent per visit on gaming tables, machines and food and beverages. This has also been determined by historic trends. Casino duty is levied in bands of between 15% and 50% depending upon the level of gaming win at each casino. The bands and rates have been assumed to remain at current levels without indexation. Machine games duty is levied at rates of 5% or 20% depending upon certain criteria.

The table below outlines the possible changes in key assumptions that could cause the carrying value of individual licences to exceed their recoverable amount. These are:

Key factors	Key assumption impacted
Increased or improved competition	Customer visits
Poor or decreased promotional activity	Customer visits
Failure to respond to technological advances	Customer visits, Spend per visit
Deterioration in economic conditions	Customer visits, Spend per visit
Changes in regulation	Customer visits, Spend per visit
Changes in taxation	Casino duty, Machine games duty

The Group operates 56 venues in the UK each of which is treated as a single CGU for the purposes of impairment testing. The level by which the recoverable amount of each CGU exceeds its carrying amount therefore varies at each venue and the impact of changes in key assumptions that would be required for the recoverable amount to equal its carrying amount also varies at each casino. For UK casino licences at venues, excluding the 19 casinos acquired in the prior year, the directors do not believe that, with the exception of a prolonged non-operation of a UK casino licence, there are any reasonably foreseeable changes to the key assumptions that would result in a material impairment. The initial carrying value of each of the 19 casinos acquired in the prior year was established based on its fair value at the date of the acquisition. Accordingly, should performance of any individual casino acquired in the prior year fall below expectations, future impairment charges may arise. A fall in expected cash flow projections of at least 18% would be required for the recoverable amount to equal the carrying value of any individual CGU.

No impairment charges were made during the year against indefinite life casino licences (year ended 30 June 2013: £1.1m).

The two casino concessions in Belgium are being amortised over their expected useful life. At 30 June 2014 these concessions had a carrying value of £4.8m (30 June 2013: £5.3m). Each of the casino concessions has also been treated as a separate CGU for impairment testing purposes. As a result of this review an impairment reversal of £0.8m has been recognised in respect of one concession.

(iii) Spanish bingo licences

The carrying value of Spanish bingo licences as at 30 June 2014 was £3.8m (30 June 2013: £10.2m).

The inherent value of each Spanish bingo licence is deemed to be an intrinsic part of the value of a club as a whole and is not therefore split out from the assets of each individual bingo club in an impairment review. Each individual bingo club has been treated as a separate CGU, and tested for impairment on that basis. The recoverable amount of each Spanish bingo club, including the licence, has been determined based on the higher of fair value less costs to sell and value in use. The value in use calculation has been determined using cash flow projections, over the length of the associated lease or 50 years in the case of freehold properties, based on a zero growth assumption from 2013/14 results (30 June 2013: 2.0% growth), reflecting the prolonged period of difficult economic conditions in Spain.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

13 IMPAIRMENT REVIEW (CONTINUED)

The key assumptions in the calculation of value in use are customer visits, spend per visit, bingo duty and the discount rate. Customer visits are the number of discrete visits to the bingo club and have been based on recent trends. Spend per visit comprises the average amount of money (net of winnings) spent by a member on bingo games, machines and food and beverages. This has been determined by recent trends. Bingo duty is based upon statutory rates enacted at the balance sheet date.

As a result of the impairment review, impairment charges of £6.1m have been recognised against the value in use of three bingo licences. However, there are possible changes in the key assumptions that could cause further impairments. These are:

Key factors	Key assumption impacted
Increased or improved competition	Customer visits
Poor or decreased promotional activity	Customer visits
Failure to respond to technological advances	Customer visits, Spend per visit
Deterioration in economic conditions	Customer visits, Spend per visit
Changes in regulation	Customer visits, Spend per visit
Changes in taxation	Bingo duty

As outlined above, each Spanish bingo licence has been tested for impairment as part of the club as a whole. Accordingly, the sensitivity of each licence to future impairments, arising from changes in the key assumptions, varies at each club. For the clubs previously impaired, each one percentage point reduction in expected future cash flow projections would generate an incremental impairment of £0.2m.

(b) Impairment review of property, plant and equipment and intangible assets

Property, plant and equipment and intangible assets are grouped into CGUs which are defined as individual venues for Mecca, Enracha and Grosvenor Casinos and as the Grosvenor Casino digital and Mecca digital businesses.

The key assumptions and sensitivities in the impairment reviews are the same as outlined above for intangible assets.

The recoverable amount of each CGU, including the licence if applicable, has been determined based on the higher of fair value less costs to sell and value in use. Other than in Spain, the value in use has been determined using cash flow projections from the Group's budget for 2014/15, the Group's strategic plan for the following two years and a growth rate of 2.0% (30 June 2013: 2.0%) thereafter. Both the Group's budget and strategic plan have been approved by the board of directors. In Spain, the value in use has been determined using a zero growth assumption from the 2013/14 actual results due to the prolonged period of difficult economic conditions in Spain. Estimates of the fair value less costs to sell are performed internally by an experienced surveyor supported by external estate agent advice or, where applicable, offers received.

(c) Impairment recognised during the period

Details of impairment charges and reversals recognised during the current and prior periods are disclosed in note 4.

14 INVESTMENTS IN SUBSIDIARIES

Company	**As at 30 June 2014 £m**	As at 30 June 2013 £m
Cost		
At start of year	**1,517.2**	1,517.8
Movements	**(0.3)**	(0.6)
At end of year	**1,516.9**	1,517.2
Provision for impairment		
At start of year and at end of year	**331.8**	331.8
Net book value at end of year	**1,185.1**	1,185.4

The movements relate to the fair value of services recognised by subsidiary undertakings arising from equity-settled share options granted by the Company.

A list of the significant investments in subsidiaries, including the name, country of incorporation and proportion of ownership interest, is given in note 33.

15 INVENTORIES

	Group	
	As at 30 June 2014 £m	As at 30 June 2013 £m
Raw materials	**0.3**	0.3
Finished goods	**2.8**	3.0
	3.1	3.3

There were no write downs of inventory in either year.

16 OTHER RECEIVABLES

	Group		Company	
	As at 30 June 2014 £m	As at 30 June 2013 (restated) £m	**As at 30 June 2014 £m**	As at 30 June 2013 £m
Current				
Other receivables	**3.9**	6.6	**–**	–
Less: provisions for impairment of other receivables	**(0.1)**	–	**–**	–
Other receivables – net	**3.8**	6.6	**–**	–
Prepayments	**27.3**	25.5	**–**	–
Amounts owed by subsidiary undertakings repayable on demand	**–**	–	**44.2**	42.9
	31.1	32.1	**44.2**	42.9
Non-current				
Other receivables	**3.1**	2.9	**–**	–
	3.1	2.9	**–**	–

Group

The carrying values of other receivables are assumed to approximate to their fair values due to their short-term nature.

As at 30 June 2014, other receivables of £0.1m (30 June 2013: £0.6m) were past due but not impaired.

The creation and release of provision for impaired receivables have been included in other operating costs in the income statement. Amounts charged to the provision for impairment are generally written off when there is no expectation of recovering additional cash.

The other classes within receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Group does not hold any collateral as security.

Company

The carrying values of amounts due from subsidiary undertakings are assumed to equate to their fair value as all amounts are repayable on demand. The amounts are denominated in UK Sterling and relate to subsidiary undertakings for which there is no history of default.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

17 TRADE AND OTHER PAYABLES

	Group		Company	
	As at 30 June 2014 £m	As at 30 June 2013 (restated) £m	**As at 30 June 2014 £m**	As at 30 June 2013 £m
Current				
Trade payables	**25.8**	25.4	**–**	–
Social security and other taxation	**25.0**	34.0	**–**	–
Other payables	**62.4**	65.4	**1.4**	1.6
Trade and other payables – current	**113.2**	124.8	**1.4**	1.6
Non-current				
Other payables	**40.5**	43.8	**–**	–
Trade and other payables – non-current	**40.5**	43.8	**–**	–

Other payables includes £2.9m current payables (30 June 2013: £2.6m) and £40.5m non-current payables (30 June 2013: £43.8m) in respect of above market rent property contracts acquired through business combinations.

18 INCOME TAX

	Group	
	As at 30 June 2014 £m	As at 30 June 2013 (restated) £m
Income tax receivable	**6.6**	6.3
Income tax payable – Continuing operations	**(22.4)**	(46.0)
Income tax payable – Discontinued operations	**(17.9)**	(17.9)
Income tax payable	**(40.3)**	(63.9)
Net income tax payable	**(33.7)**	(57.6)

Income tax payable has been analysed between current and non-current as follows:

Current	**(40.3)**	(42.2)
Non-current	**–**	(21.7)
Total	**(40.3)**	(63.9)

Income tax payable on discontinued operations relates to potential tax liabilities that are attributable to disposed entities with historic tax audits. The liability represents management's current estimate of the payments that will be required to settle the various issues.

Income tax payable on continuing operations includes an ongoing tax issue that may be challenged by the relevant authority.

19 FINANCIAL ASSETS AND LIABILITIES

(a) Interest bearing loans and borrowings

	Maturity	Group As at 30 June 2014 £m	As at 30 June 2013 £m
Current interest-bearing loans and borrowings			
Bank overdrafts	On demand	**0.8**	3.4
Obligations under finance leases	Various	**3.2**	3.3
Other current loans			
Accrued interest	July 2014	**1.1**	1.3
Unamortised facility fees	Various	**(0.7)**	(0.6)
Total current interest-bearing loans and borrowings		**4.4**	7.4
Non-current interest-bearing loans and borrowings			
7.125% Yankee bonds	2018	**8.4**	9.4
Term loans	2016	**140.0**	140.0
Revolving credit facilities	2017	**20.0**	–
Obligations under finance leases	Various	**11.7**	13.0
Other non-current loans			
Unamortised facility fees	Various	**(0.6)**	(1.3)
Total non-current interest-bearing loans and borrowings		**179.5**	161.1
Total interest-bearing loans and borrowings		**183.9**	168.5
Sterling		**175.5**	159.1
US Dollars		**8.4**	9.4
Total interest-bearing loans and borrowings		**183.9**	168.5

Bank overdrafts

Bank overdrafts are for short-term funding and are repayable on demand.

Yankee bonds

Interest on the Yankee bonds is payable half yearly in January and July at a rate of 7.125%.

Term loan facilities

New three-year facilities were signed on 25 April 2013 and consist of two bi-lateral £70.0m term loans totalling £140.0m. These loans were put in place to fund the acquisition of Gala Casino 1 Limited from Gala Coral Group Limited in the prior year. Interest is payable on a periodic basis depending on the loan drawn. The facilities carry floating rates of interest which are LIBOR dependent.

Revolving credit facilities

Five-year facilities were signed in January 2012 and consist of four £20.0m multi-currency revolving credit bi-lateral facilities totalling £80.0m. Interest is payable on a periodic basis depending on the loan drawn. The facilities carry floating rates of interest which are LIBOR dependent.

During the year, the Group has drawn down in full on one of these facilities.

Covenants

The Group complied with all its covenants during the year.

Company

The Company did not hold any external interest-bearing loans or borrowings at 30 June 2014 (30 June 2013: £nil). The Company holds interest-bearing loans with other Group companies at 30 June 2014 of £829.8m (30 June 2013: £795.0m).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

19 FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(b) Fair values

The table below is a comparison by class of the carrying amounts and fair value of the Group and Company's financial instruments at 30 June 2014 and 30 June 2013.

	Carrying amount		Fair value	
Group	**As at 30 June 2014 £m**	As at 30 June 2013 (restated) £m	**As at 30 June 2014 £m**	As at 30 June 2013 (restated) £m
Financial assets:				
Loans and receivables				
Other receivables	**4.0**	4.3	**4.0**	4.3
Cash and short-term deposits	**47.1**	65.0	**47.1**	65.0
Total	**51.1**	69.3	**51.1**	69.3
Financial liabilities:				
Other financial liabilities				
Interest-bearing loans and borrowings:				
Obligations under finance leases	**14.9**	16.3	**14.9**	16.3
Floating rate borrowings	**160.0**	140.0	**160.0**	140.0
Fixed rate borrowings	**8.4**	9.4	**9.4**	9.1
Bank overdrafts	**0.8**	3.4	**0.8**	3.4
Other	**(0.2)**	(0.6)	**(0.2)**	(0.6)
Trade and other payables	**72.9**	77.3	**72.9**	77.3
Property leases	**52.8**	49.5	**52.8**	49.5
Lease disposal settlements	**0.1**	0.8	**0.1**	0.8
Total	**309.7**	296.1	**310.7**	295.8

	Carrying amount		Fair value	
Company	**As at 30 June 2014 £m**	As at 30 June 2013 £m	**As at 30 June 2014 £m**	As at 30 June 2013 £m
Financial assets:				
Loans and receivables				
Other receivables	**44.2**	42.9	**44.2**	42.9
Cash and short-term deposits	**0.2**	0.2	**0.2**	0.2
Total	**44.4**	43.1	**44.4**	43.1
Financial liabilities:				
Other financial liabilities				
Trade and other payables	**1.4**	1.6	**1.4**	1.6
Financial guarantee contracts	**2.7**	3.4	**2.7**	3.4
Amounts owed to subsidiary undertakings	**829.8**	795.0	**829.8**	795.0
Total	**833.9**	800.0	**833.9**	800.0

The fair value of the financial assets and liabilities are included at the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used to estimate the fair values:

- cash and short-term deposits, other receivables, bank overdrafts and other financial liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments;
- the fair value of fixed rate borrowings is based on price quotations at the reporting date;
- the fair value of floating rate borrowings and obligations under finance leases approximates to their carrying amounts; and
- the fair value of property leases and lease disposal settlements approximates to their carrying amount as they are discounted at current rates.

20 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial risk factors

The Group's principal financial liabilities comprise loans and borrowings and trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group has other receivables and cash and short-term deposits that derive directly from its operations.

The Group is exposed to market risk, credit risk and liquidity risk.

The Group's overall financial risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

The Group's senior management oversees the management of these risks. The finance committee is supported by the Group's senior management which advises on financial risks and the appropriate financial risk governance framework for the Group. The finance committee provides assurance that the Group's financial risk-taking activities are governed by appropriate policies and procedures and the financial risks are identified, measured and managed in accordance with Group policies and Group risk appetite.

The board of directors reviews and agrees policies for managing each of these risks, which are summarised below.

(a) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Financial instruments affected by market risk include loans and borrowings and deposits.

The sensitivity analyses in the following sections relate to the positions at 30 June 2014 and 30 June 2013.

The sensitivity analyses have been prepared on the basis that the amount of net debt, the ratio of fixed to floating rates of the debt and the proportion of financial instruments in foreign currencies are all constant.

(i) Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a different currency from the Group's functional currency) and the Group's net investments in foreign subsidiaries.

Group policy is not to hedge foreign currency risk.

Foreign currency sensitivity

The following table demonstrates the sensitivity of a possible change in the US Dollar and euro, with all other variables held constant, to the Group's profit before tax and the Group's equity. The effect on equity includes the impact of translation of overseas subsidiaries. The Group's exposure to foreign currency changes for all other currencies is not material.

	Effect on profit before tax		Effect on equity	
	As at 30 June 2014 £m	As at 30 June 2013 £m	**As at 30 June 2014 £m**	As at 30 June 2013 £m
Change in US$ rate:				
+10.0%	**0.7**	0.9	**–**	–
-10.0%	**(0.9)**	(1.0)	**–**	–
Change in euro rate:				
+10.0%	**(0.1)**	(0.1)	**(3.8)**	(7.5)
-10.0%	**0.1**	0.1	**3.8**	7.5

(ii) Cash flow and fair value interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

Historically, the Group had managed its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings. Due to the current economic climate the Group has exercised its right to operate outside the Group policy of maintaining between 40% and 60% of its borrowings at fixed rates of interest. At 30 June 2014, 13% of the Group's borrowings were at a fixed rate of interest (30 June 2013: 15%).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

20 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(iii) Interest rate sensitivity

The table below demonstrates the sensitivity to a possible change in interest rates on income and equity for the year when this movement is applied to the carrying value of loans, borrowings, cash and short-term deposits.

	Effect on profit before tax	
	As at 30 June 2014 £m	As at 30 June 2013 £m
Sterling:		
100 basis point increase	**1.6**	1.3
200 basis point increase	**3.2**	2.5

There was no impact on equity in either year as a consequence of loan arrangements.

Due to current low interest rates, any further decline would not have a material impact on income and equity for the year. As such, sensitivity to a decrease in interest rates has not been presented.

The Group did not enter into any fixed-to-floating or floating-to-fixed interest rate swaps in either year.

(b) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for other receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed by the Group's treasury department in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the finance director, and may be updated throughout the year subject to the approval of the Group's finance committee. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through potential counterparty failure.

The credit worthiness of each counterparty is checked against independent credit ratings on at least a weekly basis, with a minimum rating of 'BB' required. The Group predominantly invests with its lending banks when appropriate.

Sales to retail customers are settled in cash or using major credit cards and therefore the exposure to credit risk is not considered significant.

No credit limits were exceeded during the reporting period and management does not expect any material losses from non-performance of its counterparties.

(c) Liquidity risk

Liquidity risk is the risk that the Group will not have sufficient funds to meet its liabilities. Long-term cash forecasts identifying the liquidity requirements of the Group are produced tri-annually. The cash forecasts are sensitivity tested for different scenarios and are reviewed regularly. Forecast financial headroom and debt covenant compliance are reviewed monthly during the month-end process to ensure sufficient financial headroom exists for at least a 12-month period.

Due to the dynamic nature of the underlying business, Group treasury aims to maintain flexibility in funding by keeping committed credit lines available. A three-year strategic forecast is prepared annually to facilitate planning for future financing needs. Management actively manages the Group's financing requirements and the range of maturities on its debt.

The Group's core debt facilities are the £80.0m (30 June 2013: £80.0m) bank facility comprising four £20.0m bi-lateral bank facilities that expire in January 2017 and the £140.0m (30 June 2013: £140.0m) bank facility comprising two £70.0m bi-lateral bank facilities that expire in May 2016. The Group proactively manages its relationships with its lending group.

The funding policy of the Group is to maintain, as far as practicable, a broad portfolio of debt diversified by source and maturity, and to maintain committed facilities sufficient to cover seasonal peak anticipated borrowing requirements.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

	On demand £m	Less than 12 months £m	1 to 2 years £m	2 to 5 years £m	Greater than 5 years £m	Total £m
At 30 June 2014						
Interest-bearing loans and borrowings[1]	**0.8**	**9.6**	**148.5**	**34.1**	**7.8**	**200.8**
Trade and other payables	**–**	**72.9**	**–**	**–**	**–**	**72.9**
Property leases	**–**	**8.2**	**4.3**	**11.6**	**45.0**	**69.1**
Lease disposal settlements	**–**	**0.1**	**–**	**–**	**–**	**0.1**
	0.8	**90.8**	**152.8**	**45.7**	**52.8**	**342.9**
At 30 June 2013 (restated)						
Interest-bearing loans and borrowings[2]	3.4	9.1	9.2	160.5	6.6	188.8
Trade and other payables	–	77.3	–	–	–	77.3
Property leases	–	4.2	3.8	10.8	47.9	66.7
Lease disposal settlements	–	0.7	0.1	–	–	0.8
	3.4	91.3	13.1	171.3	54.5	333.6

Interest payments on the interest-bearing loans and borrowings have been projected until the instruments mature.
1 The bank facility interest payments were based on current LIBOR rates as at 30 June 2014.
2 The bank facility interest payments were based on current LIBOR rates as at 30 June 2013.

Capital management

As a result of the difficult conditions that developed in the global capital markets in recent years, the Group's objectives when managing capital have been to ensure continuing access to existing debt facilities and to manage the borrowing cost of those facilities in order to minimise the Group's interest charge.

Consistent with others in the gaming industry, the Group monitors capital on the basis of leverage ratio. The ratio is calculated as net debt divided by EBITDA. Net debt is calculated as total loans and borrowings as shown in the consolidated balance sheet less cash and short-term deposits, accrued interest and unamortised facility fees. EBITDA is calculated as operating profit before exceptional items, depreciation and amortisation from continuing operations.

The leverage ratios at 30 June 2014 and 30 June 2013 were as follows:

	As at 30 June 2014 £m	As at 30 June 2013 (restated) £m
Total loans and borrowings (note 19)	**183.9**	168.5
Less: Cash and short-term deposits	**(47.1)**	(65.0)
Less: Accrued interest	**(1.1)**	(1.3)
Less: Unamortised facility fees	**1.3**	1.9
Net debt	**137.0**	104.1
Continuing operations:		
Operating profit before exceptionals	**72.4**	69.9
Add: Depreciation and amortisation	**43.6**	38.9
EBITDA	**116.0**	108.8
Leverage ratio	**1.2**	1.0

Taking into consideration both the Group's capital investment requirements and the stability of the wider economic environment, the Group considers its progressive dividend policy to be appropriate.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

20 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Collateral

The Group did not pledge or hold any collateral at 30 June 2014 (30 June 2013: £nil).

Company

The Company is exposed to credit risk on amounts owed by related undertakings. The performance of all subsidiary undertakings of the Group is monitored at Group level, including frequent projections of future performance to ensure funding to related undertakings provides a suitable return and remains recoverable. Where losses are forecast, actions are taken to mitigate the loss and maximise the recoverability of receivables.

The maximum exposure to credit risk at the reporting date is the fair value of its receivables of £44.2m (30 June 2013: £42.9m).

The Company does not have any other significant exposure to financial risks.

21 DEFERRED TAX

The analysis of deferred tax included in the financial statements at the end of the year is as follows:

	Group		Company	
	As at 30 June 2014 £m	As at 30 June 2013 (restated) £m	**As at 30 June 2014 £m**	As at 30 June 2013 £m
Deferred tax assets:				
Accelerated capital allowances	**15.6**	18.4	**–**	–
Tax losses carried forward	**2.5**	2.6	**–**	–
Above market rent property contracts	**7.0**	8.6	**–**	–
Other UK temporary differences	**0.8**	4.3	**–**	0.2
Deferred tax assets	**25.9**	33.9	**–**	0.2
Deferred tax liabilities:				
Other overseas temporary differences	**(0.8)**	(3.0)	**–**	–
Business combinations – non-qualifying properties	**(0.8)**	(1.0)	**–**	–
Temporary differences on UK casino licences	**(39.9)**	(45.8)	**–**	–
Deferred tax liabilities	**(41.5)**	(49.8)	**–**	–
Net deferred tax (liability) asset	**(15.6)**	(15.9)	**–**	0.2

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and current tax liabilities and it is the intention to settle the balances on a net basis. Deferred tax assets and liabilities of £23.4m (30 June 2013: £31.3m) have been offset and disclosed on the balance sheet as follows:

	Group	
	As at 30 June 2014 £m	As at 30 June 2013 (restated) £m
Deferred tax assets	**2.5**	2.6
Deferred tax liabilities	**(18.1)**	**(18.5)**
Net deferred tax liability	**(15.6)**	**(15.9)**

The deferred tax assets recognised are recoverable against future taxable profits that the directors consider more likely than not to occur on the basis of management forecasts.

The Group has overseas tax losses of £22.9m (30 June 2013: £22.9m) that are carried forward for offset against suitable future taxable profits. No deferred tax asset has been recognised in respect of these losses as their utilisation is not currently anticipated. The expiry of these losses was as follows:

	Group	
	As at 30 June 2014 £m	As at 30 June 2013 £m
Expiring in 2017	**20.3**	21.5
No expiry date	**2.6**	1.4
	22.9	22.9

The Group has UK capital losses carried forward of £792.0m (30 June 2013: £787.0m). These losses are available for offset against future UK chargeable gains. No deferred tax asset (30 June 2013: £nil) has been recognised in respect of these capital losses as no further utilisation is currently anticipated.

Temporary differences associated with Group investments

There was no deferred tax liability recognised (30 June 2013: £nil) for taxes that would be payable on the unremitted earnings of certain subsidiaries. The Group has determined that any unremitted earnings that do not fall within the dividend exemption introduced in the Finance Act 2009 will not be distributed in the foreseeable future and the parent company does not foresee giving such consent at the balance sheet date.

The deferred tax included in the Group income statement is as follows:

	Group	
	Year ended 30 June 2014 £m	Year ended 30 June 2013 £m
Deferred tax in the income statement		
Accelerated capital allowances	**(2.8)**	(3.4)
Deferred tax movement on fair valued assets	**0.2**	–
Tax losses	**(0.1)**	(0.9)
Other temporary differences	**3.4**	(0.5)
Total deferred tax credit (charge)	**0.7**	(4.8)
Continuing operations	**0.7**	(4.6)
Discontinued operations	**–**	(0.2)
Total deferred tax credit (charge)	**0.7**	(4.8)

The deferred tax movement on the balance sheet is as follows:

	Group		Company	
	30 June 2014 £m	30 June 2013 (restated) £m	**30 June 2014 £m**	30 June 2013 £m
As at start of year	**(15.9)**	2.4	**0.2**	0.2
Exchange adjustments	**(0.2)**	(0.1)	**–**	–
Acquisition of subsidiary (see note 25)	**–**	(13.7)	**–**	–
Deferred tax credit (charge) in the income statement	**0.7**	(4.8)	**–**	–
Deferred tax (charge) credit to other comprehensive income and equity	**(0.2)**	0.3	**(0.2)**	–
As at end of year	**(15.6)**	(15.9)	**–**	0.2

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

22 PROVISIONS

Group	Property lease provisions £m	Disposal provisions £m	Restructuring provisions £m	Indirect tax provisions £m	Total £m
At 1 July 2013	49.5	5.9	0.7	12.2	68.3
Exchange adjustments	–	(0.3)	(0.1)	–	(0.4)
Unwinding of discount	1.1	0.1	–	–	1.2
Charge to the income statement – exceptional	8.4	–	0.6	26.4	35.4
Release to the income statement – exceptional	(1.8)	–	–	(0.3)	(2.1)
Utilised in year	(4.4)	(1.1)	(0.3)	(37.1)	(42.9)
At 30 June 2014	52.8	4.6	0.9	1.2	59.5
Current	7.3	1.1	0.9	1.2	10.5
Non-current	45.5	3.5	–	–	49.0
Total	52.8	4.6	0.9	1.2	59.5

Provisions have been based on management's best estimate of the future cash flows, taking into account the risks associated with each obligation.

Property lease provisions

The Group is party to a number of leasehold property contracts. Provision has been made against those leases where the property or part of the property is now vacant and the unavoidable costs under the lease exceed the economic benefit expected to be derived from potential sub-letting arrangements. Provision has also been made against leases where impairment testing has indicated that, after recognising an impairment charge, the estimated discounted cash flows derived from the property and its associated operations are insufficient to cover the unavoidable lease costs and the lease is therefore deemed onerous. The Group also provided for the unavoidable costs to restore a property to its original condition under contractual obligations. These leases have a weighted average unexpired life of 24 years (30 June 2013: 25 years). Of the provision totalling £52.8m, £26.1m will be utilised over periods ranging from one to 14 years; and the remaining £26.7m will be utilised over periods from one to in excess of 25 years.

Disposal provisions

Provision has been made for legacy industrial disease and personal injury claims, deferred payments arising from the settlement of property lease obligations and other directly attributable costs arising as a consequence of the sale or closure of the businesses. The timing of any personal injury claims is uncertain and therefore these claims have been included in the maturity analysis based on management's best estimates. The disposal provisions held comprise the following:

	As at 30 June 2014 £m	As at 30 June 2013 £m
Deferred payments arising on lease settlement and related costs	0.1	0.8
Legacy industrial disease and personal injury claims	4.0	4.4
Other	0.5	0.7
Total disposal provisions	4.6	5.9

Restructuring provisions

The restructuring provisions relate to the costs associated with the closure of two Mecca venues and exit of one Enracha venue early in 2014/15.

Indirect tax provisions

The Group has recognised provisions for a number of historic indirect taxation issues including the Group's output VAT claim on amusement machines (see note 31). Payments of £37.1m were made against these provisions during the year and the remaining balance of £1.2m represents the directors' best estimate of the outflow likely to arise.

23 SHARE CAPITAL

	As at 30 June 2014 Authorised		As at 30 June 2013 Authorised	
	Number m	Nominal value £m	Number m	Nominal value £m
Ordinary shares of 13 8/9p each	1,296.0	180.0	1,296.0	180.0

	As at 30 June 2014 Issued and fully paid		As at 30 June 2013 Issued and fully paid	
	Number m	Nominal value £m	Number m	Nominal value £m
At start of year	390.7	54.2	390.6	54.2
Shares issued in year	–	–	0.1	–
At end of year	390.7	54.2	390.7	54.2

During the year no ordinary shares were issued under the Save As You Earn share option scheme (year ended 30 June 2013: 70,095 for total consideration of £97,432).

24 CASH GENERATED FROM OPERATIONS

Reconciliation of operating profit to cash generated from continuing operations:

	Group		Company	
	Year ended 30 June 2014 £m	Year ended 30 June 2013 £m	Year ended 30 June 2014 £m	Year ended 30 June 2013 £m
Continuing operations				
Operating profit (loss)	25.9	52.2	0.9	(3.1)
Exceptional items	46.5	17.7	–	–
Operating profit (loss) before exceptional items	72.4	69.9	0.9	(3.1)
Depreciation and amortisation	43.6	38.9	–	–
Share based payments and other	(0.5)	(1.0)	(0.9)	2.8
Decrease in inventories	0.2	0.1	–	–
(Increase) decrease in other receivables	(1.1)	1.9	–	–
(Decrease) increase in trade and other payables	(7.4)	7.9	(0.2)	0.1
	107.2	117.7	(0.2)	(0.2)
Cash utilisation of provisions	(36.5)	(5.6)	–	–
Cash payments in respect of exceptional items	(9.1)	(8.4)	–	–
Cash generated from (used in) continuing operations	61.6	103.7	(0.2)	(0.2)

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

25 ACQUISITION OF SUBSIDIARY

On 12 May 2013, the Group acquired a 100% interest in Gala Casino 1 Limited (now Grosvenor Casinos (GC) Limited) for a base cash consideration, subject to completion adjustments, of £179.0m. The acquisition included 19 operating casinos and three non-operating casino licences.

Fair values

In accordance with IFRS3 'Business Combinations', the prior year comparatives for the Group balance sheet and Group cash flow statement have been restated for the adjustments to the provisional amounts recognised on the acquisition of Gala Casino 1 Limited (now Grosvenor Casinos (GC) Limited). There is no impact on the income statement reported in the prior year. The amounts disclosed in the prior year were provisional due to the proximity of the acquisition to the Group's year-end and the completion account process outlined by the sale and purchase agreement extending beyond the finalisation of the prior year financial statements.

The final fair values of the assets and liabilities acquired in respect of the acquisition, along with the provisional fair values disclosed in the prior year, are outlined in the following table:

	Provisional £m	Adjustments £m	Final £m
Intangible assets	159.5	(5.7)	153.8
Property, plant and equipment	18.8	(0.9)	17.9
Inventories	0.2	–	0.2
Other receivables	1.8	(0.1)	1.7
Income tax receivable	2.7	(2.7)	–
Cash and short-term deposits	4.5	(0.3)	4.2
Trade and other payables	(58.4)	(0.2)	(58.6)
Deferred tax liability	(19.8)	6.1	(13.7)
Provisions	(4.9)	–	(4.9)
Net assets acquired	**104.4**	**(3.8)**	**100.6**
Goodwill	78.5	2.4	80.9
Consideration	**182.9**	**(1.4)**	**181.5**

Other receivables included an immaterial amount of financial assets.

Reconciliation to cash inflow (outflow) from acquisition of subsidiary including deferred consideration

	Year ended 30 June 2014 £m	Year ended 30 June 2013 (restated) £m
Consideration	**–**	(181.5)
Cash and short-term deposits acquired	**–**	4.2
Refund of consideration arising on finalisation of completion accounts	**1.2**	(1.2)
Deferred consideration paid in respect of prior year acquisitions	**(0.1)**	(0.1)
Acquisition of subsidiary including deferred consideration	**1.1**	(178.6)

Goodwill

Goodwill comprised deferred tax liabilities recognised on certain fair value adjustments arising on acquisition and the synergy benefits arising from the exclusion of all central management functions previously associated with the operation of the casinos from the acquisition. The Group operates the acquired casinos with only a small incremental cost increase in its existing casino central management functions. None of the goodwill recognised is deductible for tax purposes.

Acquisition related costs

In the prior year the Group recognised an exceptional operating expense of £7.8m in the income statement in respect of acquisition related costs. This included additional costs incurred by the Group due to the referral of the acquisition to the Competition Commission and a £0.4m loss associated with the disposal of the Group's non-operating licence in Edinburgh required by the Competition Commission. The amount was in addition to the £5.0m exceptional operating expense recognised in the income statement in the 18 month period ending 30 June 2012 in respect of acquisition related costs.

The Group also recognised in the prior year the £140.0m term loans raised to part finance the acquisition at their fair value less £1.8m of costs directly attributable to the issue of the debt.

Income statement

The following amounts, representing the results from the date of acquisition to 30 June 2013, have been included in the Group's income statement in the prior year:

	£m
Revenue before adjustment for free bets, promotions and customer bonuses	15.5
Free bets, promotions and customer bonuses	(0.4)
Revenue	**15.1**
Operating profit before exceptional items	**2.9**
Profit after tax	**2.1**

The following table reconciles the amounts reported in the Group income statement in prior year to the amounts that would have been included had the acquisition completed at the beginning of the Group's reporting period:

	Reported £m	Adjustment £m	Pro-forma £m
Revenue before adjustment for free bets, promotions and customer bonuses	625.0	97.3	722.3
Free bets, promotions and customer bonuses	(28.8)	(2.8)	(31.6)
Revenue	**596.2**	**94.5**	**690.7**
Operating profit before exceptional items	**69.9**	**14.5**	**84.4**
Profit after tax	**27.0**	**10.8**	**37.8**

In preparing the pro-forma results certain assumptions and estimates have been made and are therefore not necessarily indicative of the results of the Group that would have occurred had the acquisition actually occurred at the beginning of the reporting period. The information is also not indicative of the future results of the Group.

26 CASH AND SHORT-TERM DEPOSITS

	Group	
	As at 30 June 2014 £m	As at 30 June 2013 (restated) £m
Cash at bank and on hand	**44.0**	49.1
Short-term deposits	**3.1**	15.9
Total	**47.1**	65.0

The analysis of cash and short-term deposits by currency is as follows:

	Group	
	As at 30 June 2014 £m	As at 30 June 2013 (restated) £m
Sterling	**42.3**	58.9
Euro	**4.6**	5.8
Other currencies	**0.2**	0.3
Total	**47.1**	65.0

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

26 CASH AND SHORT-TERM DEPOSITS (CONTINUED)

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods depending on the immediate cash requirements of the Group, and earn interest at their respective short-term deposit rates.

For the purpose of the statements of cash flow, cash and cash equivalents comprise the following:

	Group	
	As at 30 June 2014 £m	As at 30 June 2013 (restated) £m
Cash at bank and on hand	**44.0**	49.1
Short-term deposits	**3.1**	15.9
	47.1	65.0
Bank overdrafts	**(0.8)**	(3.4)
Total	**46.3**	61.6

Company

At 30 June 2014 the Company had cash and short-term deposits of £0.2m (30 June 2013: £0.2m).

27 EMPLOYEES AND DIRECTORS

(a) Employee benefit expense for the Group during the year

	Year ended 30 June 2014 £m	Year ended 30 June 2013 £m
Wages and salaries	**184.7**	165.1
Social security costs	**18.5**	17.0
Pension costs	**5.5**	3.6
Share-based payments	**(0.5)**	0.2
	208.2	185.9

Employee benefit expense for the Group includes £nil (year ended 30 June 2013: £4.0m) in respect of discontinued operations.

The Company has no employees. The directors of the Group are paid by a subsidiary undertaking.

(b) Average monthly number of employees

	Year ended 30 June 2014	Year ended 30 June 2013
Grosvenor Casinos venues	**6,288**	4,698
Mecca venues	**3,627**	3,846
Digital	**103**	186
Enracha	**559**	563
Central	**332**	349
	10,909	9,642

(c) Key management compensation

	Year ended 30 June 2014 £m	Year ended 30 June 2013 £m
Salaries and short-term employee benefits (including social security costs)	**3.2**	4.0
Termination benefits	**–**	0.2
Post-employment benefits	**0.4**	0.4
Share-based payments	**(0.4)**	0.2
	3.2	4.8

Included in key management compensation are bonuses of £nil in the respect of the current year that will be paid in 2014/15 (2013/14: £nil).

Key management is defined as the directors of the Group and the management team, details of which are set out on page 50. Further details of emoluments received by directors are included in the remuneration report.

(d) Directors' interests

The directors' interests in shares of the Company, including conditional awards under the Long Term Incentive Plans, are detailed in the remuneration report.

(e) Total emoluments of the directors of The Rank Group Plc

	Year ended 30 June 2014 £m	Year ended 30 June 2013 £m
Salaries, fees and benefits	1.1	1.2
Post-employment benefits	0.2	0.2
	1.3	1.4

No director accrued benefits under defined benefit pension schemes in either year. No director (year ended 30 June 2013: one) is a member of the Group's defined contribution pension plan at the year end. Further details of emoluments received by directors, including the aggregate amount of gains made by directors upon the vesting of conditional share awards are disclosed in the remuneration report on page 72.

28 SHARE-BASED PAYMENTS

During the year ended 30 June 2014, the Company operated an equity settled Long Term Incentive Plan ('LTIP'). Further details of the LTIP are included in the remuneration report on pages 66 and 67. In the prior year, the Save-As-You-Earn ('SAYE') share option scheme previously offered to all UK employees and the Executive Share Option Scheme ('ESOS') both lapsed. All of these schemes were equity-settled other than the 2010 grant under the LTIP which was cash settled in the prior year.

The number and weighted average exercise prices ('WAEP') of, and movements in, each of the share option arrangements during the year are shown below:

	Outstanding 1 July 2013	Granted during 2013/14	Exercised during 2013/14	Expired during 2013/14	Forfeited during 2013/14	Outstanding 30 June 2014	Exercisable 30 June 2014
LTIP							
Number of shares	8,548,832	946,473	(106,247)	(1,465,608)	(2,529,681)	5,393,769	–
WAEP	Nil	Nil	Nil	Nil	Nil	Nil	–

	Outstanding 1 July 2012	Granted during 2012/13	Exercised during 2012/13	Expired during 2012/13	Forfeited during 2012/13	Outstanding 30 June 2013	Exercisable 30 June 2013
ESOS							
Number of shares	11,666	–	–	(11,666)	–	–	–
WAEP	270.00p	–	–	270.00p	–	–	–
SAYE							
Number of shares	158,559	–	(70,095)	(76,378)	(12,086)	–	–
WAEP	139.00p	–	139.00p	139.00p	139.00p	–	–
LTIP							
Number of shares	3,128,265	6,874,638	(1,099,786)	(42,849)	(311,436)	8,548,832	–
WAEP	Nil	Nil	Nil	Nil	Nil	Nil	–

The LTIP awards granted during the year vest in three tranches: 40% in September 2015, 40% in September 2016, and 20% in September 2017.

LTIP awards that vested during the prior year were cash-settled following a modification of the settlement basis. At 30 June 2013, 110,386 of the outstanding awards were to be cash-settled. During the year ended 30 June 2014, 106,247 of these awards vested, and the remaining 4,139 lapsed. No incremental fair value was granted on the date of modification. All awards outstanding at 30 June 2014 are to be equity-settled.

The share awards outstanding at the period ends have the following range of exercise prices and expiry dates as follows:

	Outstanding at 30 June 2014			Outstanding at 30 June 2013		
	Exercise prices	Weighted average remaining contractual life	Number of shares under option	Exercise prices	Weighted average remaining contractual life	Number of shares under option
LTIP	Nil	2.1 years	5,393,769	Nil	3.1 years	8,548,832

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

28 SHARE-BASED PAYMENTS (CONTINUED)

The fair value of LTIP awards granted is calculated using a Monte Carlo simulation which allows for the incorporation of market performance conditions. For grants made subject to non-market based performance conditions, the expense recognised is based on expectations of these conditions being met, which are reassessed at each balance sheet date.

The following table lists the inputs used for the LTIP grants during the years ended:

	30 June 2014	30 June 2013
Risk free interest rate (%)	**0.34-1.40**	0.75-1.42
Dividend yield (%)	**3.20**	5.10
Expected volatility (%)	**31.0**	33.0
Vesting period (Years)	**1-3**	2-4
Weighted average share price (p)	**140.50**	160.50

The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the award is indicative of future trends, which may not necessarily be the actual outcome.

The number of LTIP awards and the fair value per share of the LTIP awards granted during the year were as follows:

	30 June 2014	30 June 2013
Number	**946,473**	6,874,638
Weighted average fair value per share	**71.3p**	103.4p

The Group recognised a £0.5m credit (year ended 30 June 2013: £0.2m charge) in operating profit from accounting for share-based payments and related National Insurance in accordance with IFRS2.

National insurance contributions are payable in respect of some share-based payments. These contributions are payable on the date of exercise based on the intrinsic value of the share-based payments, and as such are treated as cash-settled awards. The Group has recorded liabilities at 30 June 2014 of £nil (30 June 2013: £0.1m). The Group has a further liability of £nil (30 June 2013: £0.1m) in respect of outstanding cash-settled share options.

29 RETIREMENT BENEFITS

Defined contribution schemes

The Group operates The Rank Group Stakeholder Pension Plan and The Rank Group Workplace Pension Scheme ('the Plans') which are externally funded and the Plans' assets are held separately from Group assets. During the year ended 30 June 2014, the Group contributed a total of £5.1m (year ended 30 June 2013: £3.6m) to the Plans. There were no significant contributions outstanding at the balance sheet date in either year.

Other pension commitment

The Group has an unfunded pension commitment relating to three former executives of the Group. At 30 June 2014, the Group's commitment was £3.4m (30 June 2013: £3.1m). The Group paid £0.1m (year ended 30 June 2013: £0.1m) in pension payments during the year. The net cost arising on the commitment of £nil (year ended 30 June 2013: £nil) has been recognised in other financial losses in the income statement. The actuarial loss arising on the commitment, resulting from the changes in assumptions outlined below in the year, was £0.4m (year ended 30 June 2013: gain of £0.2m) before taxation and £0.3m after taxation (year ended 30 June 2013: £0.2m).

Assumptions used to determine the obligations at:

	30 June 2014 % p.a.	30 June 2013 % p.a.
Discount rate	**4.2**	4.5
Pension increases	**3.4**	3.0

The obligation in the current year has been calculated using the S1 mortality tables with a 1.5% per annum improvement in life expectancy. In the prior year the obligation was calculated using the PA92 (YOB) mc mortality table with a 1.5% per annum improvement in life expectancy.

30 COMMITMENTS

Group

Operating lease commitments – Group as lessee

The Group has entered into commercial leases on certain properties, plant and items of machinery. These leases have durations of from under one year to 51 years.

Future minimum rentals payable under non-cancellable operating leases are as follows:

	As at 30 June 2014 £m	As at 30 June 2013 £m
Not later than one year	**48.3**	46.5
After one year but not more than five years	**188.4**	186.1
After five years	**287.6**	323.0
	524.3	555.6

	As at 30 June 2014 £m	As at 30 June 2013 £m
Total future minimum sub-lease payments expected to be received under non-cancellable sub-leases	**22.9**	25.1

Finance lease commitments – Group as lessee

The minimum lease payments under finance leases, together with the present value of the net minimum lease payments, are as follows:

	Minimum lease payments		Present value of minimum lease payments	
	30 June 2014 £m	30 June 2013 £m	**30 June 2014 £m**	30 June 2013 £m
Not later than one year	**4.1**	4.2	**3.2**	3.3
After one year but not more than five years	**8.3**	10.3	**6.0**	8.1
More than five years	**7.8**	6.6	**5.7**	4.9
	20.2	21.1	**14.9**	16.3
Less future finance charges	**(5.3)**	(4.8)		
Present value of minimum lease payments	**14.9**	16.3		

	As at 30 June 2014 £m	As at 30 June 2013 £m
Total future minimum sub-lease payments expected to be received under non-cancellable sub-leases	**0.2**	0.2

Capital commitments

At 30 June 2014, the Group has contracts placed for future capital expenditure, primarily relating to property, plant and equipment, of £3.7m (30 June 2013: £4.7m).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

31 CONTINGENT LIABILITIES

Group

Fiscal neutrality case

In previous periods the Group disclosed a contingent liability in respect of a claim for repayment of output VAT on amusement machines. In May 2010, the Group received £30.7m (VAT of £26.4m plus interest of £4.3m) in respect of the claim, which has been the subject of ongoing litigation. During the year, the Court of Appeal found in favour of HMRC and consequently an amount of £26.4m was provided to cover the expected outflow, together with an accrual for interest of £4.3m. In May 2014, a payment was made to HMRC in respect of these claims, with the remaining balance being the directors, best estimate of the outflow likely to arise. The Group has been granted leave to appeal to the Supreme Court, and it therefore remains possible the Group will not ultimately be liable for these amounts. The appeal will be held in April 2015.

Other VAT and duty

In previous periods the Group has disclosed contingent liabilities in respect of a limited number of VAT and duty issues. At 30 June 2013 the Group estimated its total exposure to be approximately £29.0m (plus interest), of which £12.2m (plus interest) was provided. During the year the Group has paid £11.9m (plus interest of £0.8m) as settlement of these VAT and duty issues.

Property leases

Concurrent to the £211.0m sale and leaseback in 2006, the Group transferred the rights and obligations but not the legal titles of 44 property leases to a third party. The Group remains potentially liable in the event of default by the third party. Should default occur then the Group would have recourse to two guarantors. It is understood that, of the original 44 leases transferred, 16 of these have not expired or been surrendered. These 16 leases have durations of between one month and 99 years and a current annual rental obligation (net of sub-let income) of approximately £1.5m.

During the year, the Group became aware of certain information in respect of a deterioration in the financial position of the third party and one of the guarantors. However, the Group has not to date been notified of any default, or intention to default, in respect of the transferred leases.

Company

At 30 June 2014, the Company has made guarantees to subsidiary undertakings of £170.3m (30 June 2013: £150.9m).

32 RELATED PARTY TRANSACTIONS

Group

Details of compensation of key management are disclosed in note 27.

Entities with significant influence over the Group

On 7 June 2011, Guoco Group Limited (Guoco), a company incorporated in Bermuda and listed on the Hong Kong stock exchange, acquired a controlling interest in The Rank Group Plc. The ultimate parent undertaking of Guoco is Hong Leong Company (Malaysia) Berhad (Hong Leong) which is incorporated in Malaysia. At 30 June 2014, entities controlled by Hong Leong owned 68.9% of the Company's shares, including 51.8% through Guoco and its wholly owned subsidiary Rank Assets Limited, the Company's immediate parent undertaking.

During the year, The Gaming Group Limited, a wholly owned subsidiary within the Group, purchased three non-operating casino licences from Clermont Leisure (UK) Limited for consideration of £5.8m, and has subsequently begun operating one of these licences. An agreement is in place, subject to the satisfaction of certain legal conditions, to purchase a further non-operating casino licence for a maximum total consideration of £0.2m. Clermont Leisure (UK) Limited is an entity subject to common control. The total consideration of £6.0m includes an option to purchase one further licence for a nominal amount. The valuation of the casino licences was carried out by a third party on an arms length basis.

Company

The following transactions with subsidiaries occurred in the year:

	Year ended 30 June 2014 £m	Year ended 30 June 2013 £m
Interest payable to subsidiary undertaking	**(22.6)**	(27.9)

During the year, Rank Group Finance Plc, a subsidiary of the Company, provided additional cash to the Company of £16.6m (year ended 30 June 2013: £14.8m).

33 PRINCIPAL SUBSIDIARIES

The Company owns directly or indirectly 100% of the ordinary share capital and voting rights of the following companies[1]:

Name	Country of incorporation	Principal activities
Grosvenor Casinos Limited	England and Wales	London and provincial casinos
Grosvenor Casinos (GC) Limited	England and Wales	London and provincial casinos
The Gaming Group Limited	England and Wales	London casino
Mecca Bingo Limited	England and Wales	Social and bingo clubs
Rank Leisure Limited	England and Wales	Adult gaming centres in Mecca Bingo and Grosvenor Casinos
Rank Holding España SA	Spain	Owns the Group's investments in Spain
Rank Digital Gaming (Alderney) Limited	Alderney	Interactive gaming
Rank Digital Limited[2]	England and Wales	Support services to interactive gaming
Rank Digital Services (Gibraltar) Limited	Gibraltar	Support services to interactive gaming
Rank Gaming Group Limited	England and Wales	Intermediary holding company
Rank Group Gaming Division Limited	England and Wales	Intermediary holding company and provision of shared services
Rank Leisure Holdings Limited	England and Wales	Intermediary holding company and corporate activities
Rank Nemo (Twenty-Five) Limited[2]	England and Wales	Intermediary holding company
Rank Overseas Holdings Limited	England and Wales	Intermediary holding company
Rank Holdings (Netherlands) BV,i.l.	Netherlands	Intermediary holding company
Rank Group Finance Plc[2]	England and Wales	Funding operations for the Group

1 The Group comprises a large number of companies and it is not practical to list all companies. The table above therefore includes those companies which the directors consider principally affect the consolidated results or financial position of the Group.
2 Directly held by the Company.

The principal activities are carried out in the country of incorporation as indicated above. All principal subsidiary undertakings have a 30 June year-end.

FIVE YEAR REVIEW

	Year ended 30 June 2014 £m	Year ended 30 June 2013 (restated) £m	Year ended 30 June 2012 (unaudited) £m	Year ended 30 June 2011 (unaudited) £m	Year ended 30 June 2010 (unaudited) £m
Continuing operations					
Revenue before adjustment for free bets, promotions and customer bonuses	**707.7**	625.0	584.3	580.7	555.1
Free bets, promotions and customer bonuses	**(29.2)**	(28.8)	(25.4)	(23.8)	(21.2)
Revenue	**678.5**	596.2	558.9	556.9	533.9
Operating profit before exceptional items	**72.4**	69.9	69.7	62.9	56.4
Exceptional items (charged) credited against operating profit	**(46.5)**	(17.7)	(19.9)	43.9	38.9
Group operating profit	**25.9**	52.2	49.8	106.8	95.3
Total net financing (charge) income	**(11.5)**	(9.5)	(4.8)	74.6	(2.9)
Profit before taxation	**14.4**	42.7	45.0	181.4	92.4
Taxation	**3.0**	(13.8)	(13.6)	(45.3)	(25.4)
Profit after taxation from continuing operations	**17.4**	28.9	31.4	136.1	67.0
Discontinued operations	**2.8**	(1.9)	(3.3)	6.1	2.4
Profit for the year	**20.2**	27.0	28.1	142.2	69.4
Adjusted earnings per share – basic	**12.4p**	12.4p	12.4p	10.2p	9.0p
Basic earnings per ordinary share	**5.2p**	6.9p	7.2p	36.5p	17.9p
Basic earnings per ordinary share before exceptional items	**13.5p**	10.9p	11.3p	9.8p	8.9p
Total ordinary dividend (including proposed) per ordinary share	**4.50p**	4.10p	3.60p	2.66p	2.09p
Group funds employed					
Intangible assets and property, plant and equipment	**607.7**	620.3	371.5	376.3	367.3
Provisions	**(59.5)**	(68.3)	(52.9)	(53.0)	(41.2)
Other net liabilities	**(168.9)**	(206.0)	(132.4)	(151.8)	(117.1)
Total funds employed at year-end	**379.3**	346.0	186.2	171.5	209.0
Financed by					
Ordinary share capital and reserves	**242.3**	241.9	228.0	208.7	75.6
Net debt (cash)	**137.0**	104.1	(41.8)	(37.2)	133.4
	379.3	346.0	186.2	171.5	209.0
Average number of employees (000s)	**10.9**	9.6	9.2	9.1	8.6

Results for the years ended 30 June 2013 and 30 June 2012 exclude operations discontinued during the year ended 30 June 2013. Continuing results for the year ended 30 June 2011 and 30 June 2010 have not been restated to exclude operations during the year ended 30 June 2013.

KEEP IT FUN

A key aim for the Group is to ensure that our business understands and limits problem gambling, where possible.

The following outlines actions carried out during the year to help us achieve this aim.

Understand through research and engagement

Problem gambling is a complex and poorly understood subject. Its roots lie within a complex web of psychological, sociological and economic factors with the problematic gambling behaviour often a symptom of deeper-lying issues.

In the absence of a clearer understanding of the subject it is likely that measures designed to tackle problem gambling (whether prohibitive or restrictive regulations or operator policies) will prove insufficiently effective.

During 2013/14, we engaged in a number of programmes designed to further our – and the industry's – understanding of problem gambling:

Rank–University of Salford research project – work on the University of Salford's research programme to understand better the behaviour of problem gamblers started in earnest in 2013/14. We donated data processing equipment and provided data sets from the Grosvenor Casinos' 'Play Points' rewards card programme, while the Responsible Gambling Trust ('RGT') provided research funding. We expect to be in a position to review (with RGT) the first-stage findings during 2014/15.

Separately, we have agreed to extend the research programme to incorporate a study of the effect of January's changes to stakes and prizes on casino slot machines. This component of the programme also involves the social policy research provider, The National Centre for Social Research ('NatCen').

RGT–NatCen machines research programme – we participated in stage 1 of RGT's study of player behaviours on slot machines. We have signalled our willingness in principle to participate in subsequent stages of this programme.

GamePlan – in addition to formal research, we believe that we can enhance our understanding of problem gambling via engagement with a wide variety of interested parties. Through our GamePlan programme we met with a broad roster of government and shadow government departments, regulatory bodies, problem gambling treatment providers, researchers and academics, trade associations, pressure groups and international peers to discuss the effects of our operations and the consequences of our ambitions. The list of organisations included HM Treasury, Shadow Department of Culture Media and Sport, the Gambling Commission, GamCare[1], RGT, the British Columbia Lottery Corporation and the Campaign for Fairer Gambling.

HOW BIG A PROBLEM IS PROBLEM GAMBLING?

A number of large scale studies of the prevalence of problem gambling in Great Britain conducted since 1999[1] found that between 0.4% and 0.9% of adults are problem gamblers[2]. Not only does this represent a low proportion of the population but it is also relatively low by international standards. However, these statistics tell only part of the story.

Firstly, these studies also classify 4.2% of adults as being 'at risk gamblers' (defined as "Those who experience some gambling-related problems but remain below the threshold for 'problem' gambling").

Secondly, while the proportion of people who are problem gamblers is low, the absolute number (it is estimated that in 2012, around 180,000 adults in England and Scotland were problem gamblers) is substantial.

Thirdly, a study by Professor David Forest of the University of Salford (based upon data from the British Gambling Prevalence Survey) has shown that people with gambling problems experience significant distress and unhappiness. While the gambling problem is generally understood to be a symptom of distress and a secondary impact rather than the primary cause, the level of distress involved suggests to us that statistical prevalence should not be the sole measure of the impact of problem gambling.

During 2014/15, we will be undertaking further research to a) understand the prevalence of problem gambling within our brands and b) identify methods for measuring our performance in tackling the issue.

1 British Gambling Prevalence Survey 1999, 2007 and 2010; Scottish Health Survey 2012; English Health Survey 2012.
2 Gambling Commission.

1 GamCare are the leading provider of information, advice, support and free counselling for the prevention and treatment of problem gambling.

OTHER INFORMATION CONTINUED

Rank Research Dinners – during the year, we held a series of Rank Research Dinners, designed to develop our understanding of problem gambling. These dinners, which were held under 'Chatham House Rules', involved participants from the Gambling Commission, RGT, IGT, Ernst and Young, the University of Salford, NatCen, the Mail on Sunday and GamblingCompliance.com.

In February 2014, we hosted an international round-table discussion on problem gambling involving JOA Groupe (France), Loto de Quebec (Canada), The Hippodrome Casino (Great Britain), the Association of Gaming Equipment Manufacturers and the University of California Los Angeles. We plan to repeat this event in 2015.

Rank Executive Awareness Programme – during the year, we re-launched the Rank Executive Awareness programme with GamCare. Designed to promote greater understanding amongst key decision-makers of the realities of problem gambling, the programme involves mandatory visits to GamCare (and completion of the 'Keep it Fun' training) for all members of Rank's executive committee.

Responsible Gambling Trust – Rank was one of the official sponsors of RGT's Harm Minimisation Conference 2013. The conference featured an impressive line-up of problem gambling research experts from around the world, including Great Britain, Australia, the USA and Sweden.

Influence customer behaviour through communication

During the year, we invested approximately £50,000 in our 'Keep it Fun' programme to encourage healthy consumer attitudes towards gambling. We have been assisted in this programme by the British Columbia Lottery Corporation's GameSense team, who have generously shared insights and ideas.

During 2014/15 we plan to test machine-based advertising to promote healthy relationships with slots play.

Provide safeguards and intervene where problems arise

Since 2006, we have worked with GamCare to test the effectiveness of our customer protection measures, gaining accreditation for our venues and digital businesses. During 2013/14, we invested £10,000 in achieving GamCare accreditation for Grosvenor Casinos and Mecca and we expect to invest a similar amount in the year ahead.

Through our 'Keep it Fun' training programme we help our teams to identify signs of problem gambling and – where appropriate – to intervene in order to provide support.

- during 2013/14, 35 of our team members undertook our 'Keep it Fun' course, totalling 140 hours of training.
- our teams helped 4,000 customers to agree self-exclusions (by which customers elect to be refused access to our brands in venue and/or online).
- the vigilance of our teams helped customers to adhere to these self-exclusions with a 11% reduction in reported breaches[1], and our teams continue to refer our customers to counselling support via GamCare.

During 2014/15, we will be undertaking trials of machine-based interventions that will allow customers to set limits on play.

Support treatment and counselling

We believe that our role in tackling problem gambling should not include the direct provision of counselling services; but that in tandem with our industry peers we have a responsibility for funding such services.

During the year, we contributed £296,000 to RGT, which in turn allocates 68% of its funds to counselling and treatment providers.

In addition to funding, we also promote GamCare's helpline and netline as well as the Gambleaware website, which also provides helpful guidance for those in need.

The cost of 'Keeping it Fun' – 2013/14

	2013/14	2012/13
Contributions to RGT	296,000	314,000
Payments to GamCare	10,000	–
Keep it Fun communication	50,000	–

1 Excludes the impact of the 19 acquired casinos.

SHAREHOLDER INFORMATION

2014/15 financial calendar

12 September 2014	Record date for 2013/14 final dividend
16 October 2014	Annual general meeting and interim management statement
22 October 2014	Payment date for 2013/14 final dividend
29 January 2015	Interim results announcement
14 May 2015	Interim management statement

Registrar

All administrative enquiries relating to shares should, in the first instance, be directed to the Company's registrar (quoting reference number 1235) and clearly state the registered shareholder's name and address. Please write to The Rank Group Plc Registrar, Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA (Tel: from the UK 0871 384 2098* and from outside the UK +44 121 415 7047).

There is a text phone available on 0871 384 2255* for shareholders with hearing difficulties.

(*Calls cost 8p per minute plus network extras.)

Shareview

The Shareview portfolio service from the Company's registrar gives shareholders more control of their Rank shares and other investments, including:

- direct access to data held for them on the share register including recent share movements and dividend details;
- a recent valuation of their portfolio; and
- a range of information and practical help for shareholders including how they can elect to receive communications electronically.

It is easy and free to set up a portfolio – shareholders will just need the shareholder reference printed on their proxy form or dividend stationery. Please visit the following website for more details: **www.shareview.co.uk**.

Payment of dividends

The Company is no longer operating a dividend re-investment plan. Shareholders may find it more convenient to make arrangements to have dividends paid directly to their bank account. The advantages of this are that the dividend is credited to a shareholder's bank account on the payment date, there is no need to present cheques for payment and there is no risk of cheques being lost in the post.

To set up a dividend mandate or to change an existing mandate please contact Equiniti Limited, our registrar, whose contact details are above. Alternatively, shareholders who use Equiniti's Shareview can log on to **www.shareview.co.uk** and follow the online instructions.

Shareholder information

A wide range of information for shareholders and investors is available in the Investors area of the Rank Group website: **www.rank.com**.

Frequently asked questions

We have a shareholder 'frequently asked questions' section on our website which provides answers to many questions that shareholders have: **www.rank.com/investors/shareholder_faqs.jsp**

Capital gains tax

For the purpose of calculating UK capital gains tax on a disposal of ordinary shares in the Company held since 31 March 1982 (including shares held in the predecessor company, The Rank Organisation Plc), the price of the Company's ordinary shares at that date was 190p per share. This price should be adjusted for the effects of the rights issue in January 1990, the enhanced share alternative in July 1993, the sub-division and consolidation of shares in March 1994, the enhanced scrip dividend in March 1998, and the 18 for 25 sub-division and share consolidation (aligned with the 65p special dividend payment) which took place in March 2007. More information regarding these adjustments is available on the **www.rank.com** website.

Shareholder security

We are aware that some of our shareholders have received unsolicited telephone calls concerning their Rank shares. These communications tend to be from overseas-based 'brokers' who offer a premium price for your Rank shares but ask you to make an upfront payment, typically in the form of an insurance bond. We recommend that before paying any money you:

- obtain the name of the person and firm contacting you;
- check the FCA Register at **www.fca.org.uk/register/** to ensure they are authorised;
- use the details on the FCA Register to contact the firm;
- call the FCA Consumer Helpline on 0800 111 6768 if there are no contact details on the FCA Register or you are told they are out of date; and
- search the FCA's list of unauthorised firms and individuals to avoid doing business with: **www.fca.org.uk/consumers/protect-yourself/unauthorised-firms/unauthorised-firms-to-avoid**

If you use an unauthorised firm to buy or sell shares or other investments, you will not have access to the Financial Ombudsman Service or Financial Services Compensation Scheme (FSCS) if things go wrong.

OTHER INFORMATION CONTINUED

Below, please find the link to the FCA's website which gives information on scams and swindles which shareholders may find helpful: **www.fca.org.uk/consumers/scams**

Further information on fraud can be found at **www.actionfraud.org.uk/**
Action Fraud's helpline is 0300 123 2040.

We recommend that you report any attempted share frauds to the authorities since providing information with regard to how the fraudsters have contacted and dealt with you will assist the authorities in understanding the fraudsters' way of operating so as to enable them to disrupt and prevent these activities and prosecute them.

ShareGift

Shareholders with a very small number of shares, the value of which may make it uneconomical to sell, may wish to consider donating them to charity through ShareGift, a registered charity administered by The Orr Mackintosh Foundation.

Further information about ShareGift is available at **www.sharegift.org** or by writing to:

ShareGift
17 Carlton House Terrace
London SW1Y 5AH
Tel: 020 7930 3737

For any other information please contact the following at our registered office:

Frances Bingham, Company Secretary

Sarah Powell, Director of Treasury and Investor Relations

Registered office

The Rank Group Plc, Statesman House,
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The Rank Group Plc

Registered in England and Wales No. 03140769

GLOSSARY

Financial terminology

Revenue
Income retained by the Group after deductions for VAT and players' winnings

Like-for-like
Excludes club openings, closures and relocations, and changes to gaming taxation

EBITDA
Earnings before interest, tax, depreciation, amortisation and exceptional items

Operating margin
Operating profit expressed as a percentage of revenue

KPI terminology

Customers
Unique customers visiting a bingo club or casino or operating an online account in the 12-month period

Customer visits
Individual customer visits to bingo clubs and casinos

Spend per visit
Revenue divided by customer visits

Online – offline crossover
Percentage of adults participating in both remote and land-based gaming

Net promoter score
A measure of a customer's propensity to recommend

Gaming industry terminology

Interval games
Automated game of bingo played in a licensed club

Adult gaming centre
A licensed gaming machines arcade

Main stage bingo
Traditional game of bingo played in a licensed club

Pari-mutuel gaming
Gaming where players compete with each other to win prizes. The house may take a fee for organising the game but does not participate actively. Also called 'player-to-player' gaming

Remote gaming and betting
Gambling services offered to customers via the internet and mobile telephones and tablets

Commission des Jeux
The governing body for the gambling industry in Belgium

Gambling Commission
The governing body for all sectors of gambling in Great Britain, with the exception of the National Lottery and spread betting

GamCare
A charitable organisation that provides counselling and other services to those with gambling-related problems

Responsible Gambling Trust
A charitable organisation that funds treatment, education and research related to problem gambling and which was formed following the merger of The GREaT Foundation and the Responsible Gambling Fund

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The Forest Stewardship Council (FSC) is an international network which promotes responsible management of the world's forests. Forest certification is combined with a system of product labelling that allows consumers readily to identify timber-based products from certified forests.

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